California

Forms & Instructions

100

1996

Corporation Tax Booklet

Members of the Franchise Tax Board Kathleen Connell, Chair Johan Klehs, Member Craig L. Brown, Member

This booklet contains:

<u>Form 100</u>, California Corporation Franchise or Income Tax Return, page 15

<u>Schedule P (100)</u>, Alternative Minimum Tax and Credit Limitations — Corporations, page 19

FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations, page 27 FTB 3565, Small Business Stock Questionnaire, page 29

<u>FTB 3805Q</u>, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, page 21

<u>FTB 3885</u>, Corporation Depreciation and Amortization, page 25

Do you need help? 1-800-338-0505



FAST

Most of your questions can be answered by reading the instructions in this booklet. But if you find that you need help, use our F.A.S.T. (Fast Answers about State Taxes) toll-free phone service available 24 hours a day. If you cannot get the answer you need, call our regular toll-free phone service listed on page 31. The best times to call are between 7:00 and 10:00 in the morning and between 6:00 and 8:00 in the evening.

Instructions for Form 100

Corporation Franchise or Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 1993, and to the California Revenue and Taxation Code (R&TC).

Tax Law Changes

Federal Law Changes

In general, California did not conform its law to changes made to the IRC by the federal Revenue Reconciliation Act of 1993 (P.L. 103-66). California legislation during 1994 and 1996 did adopt a few specific provisions of the 1993 federal changes and these changes are specifically identified when appropriate. All other references in these instructions are to the IRC as it existed on January 1, 1993.

Expired Credits

The following credits have expired: Employer Ridesharing, Low Emission Vehicles and Recycling Equipment. Any carryover credit from prior years may be used in 1996 and future years to the extent allowable until the excess credit is exhausted.

Changes to California Law due to the provisions of SB38 (CH 96-954) (effective for income years beginning on or after January 1, 1996, unless indicated otherwise)

New Disabled Access Credit

The disabled access credit is similar to the federal credit, but is limited to \$125 based on 50% of qualified expenditures that do not exceed \$250. The credit is figured on form FTB 3548, Disabled Access Credit.

New Donated Agricultural Products Transportation Credit

The donated agricultural products transportation credit is 50% of the costs paid or incurred for the transportation of agricultural products that are donated to nonprofit charitable organizations. The credit is figured on form FTB 3547, Donated Agricultural Products Transportation Credit.

New Enhanced Oil Recovery Credit

This credit is similar to the federal credit but is limited to expenditures made for qualified enhanced oil recovery projects that are located within California. The credit is figured on form FTB 3546, Enhanced Oil Recovery Credit.

Manufacturers' Investment Credit

Space vehicles, parts and satellites have been added to the definition of qualified property.

Corporate Charitable Contributions Deduction

The maximum limit for the charitable contributions deduction is increased to 10% of net income. Excess contributions over the deduction limit may be carried over for up to five years.

Discharge of Indebtedness

California law incorporates 1993 federal amendments to the IRC regarding the treatment of income from the discharge of qualified real property business indebtedness, the repeal of the stock-for-debt exception in determining income from discharge of indebtedness and the addition to the list of tax attributes that are reduced in discharge of indebtedness situations.

Minimum Franchise Tax for Qualified Corporations

For income years beginning on or after January 1, 1997, the minimum franchise tax shall be reduced to \$600 for Qualified New Corporations.

A Qualified New Corporation is a corporation that reasonably estimates it will have gross receipts, less returns and allowances, of \$1 million or less and a tax liability of \$800 or less. The corporations are required to pay the minimum franchise tax for their first income year to the California Secretary of State (SOS). If during the first income year, the corporation's gross receipts exceed \$1 million or the tax liability exceeds \$800, the corporation must pay an additional tax of \$200 to the Franchise Tax Board (FTB) on the due date of its return, without regard to extension, for its first income year.

Estimate payments

California R&TC Section 23221 was amended to incorporate the federal expanded annualization periods for income years beginning on or after January 1, 1997. Refer to the Form 100-ES instructions for more information.

Water's-Edge Qualifying Dividends Deduction

California R&TC Section 24411 was amended to allow a flat 75% deduction for all qualifying dividends received, except that dividends resulting from specified construction projects are 100% deductible. Form FTB 2411 has been eliminated and the water's edge dividend deduction is computed on Form 100, Schedule H.

Deduction for Dividends Paid to an Employee Stock Ownership Plan (ESOP)

The provisions of R&TC Section 24611 that conform to the federal tax treatment of the dividends paid deduction are extended.

Research Credit

California now allows the research credit for payments made to additional qualified organizations for taxpayers engaged in specified biopharmaceutical and biotechnology activities.

Corporation owned Life Insurance Policies

R&TC Section 24424 has been amended to conform with federal provisions of IRC Section 264 regarding certain amounts paid in connection with insurance contracts.

Interest Expense Deduction

Section 24344.7 has been added to the R&TC incorporating amendments made to IRC Section 163 by Section 13228 of the Revenue Reconciliation Act of 1993 (P.L. 103-66), which relates to modifications to limitations on deductions for certain interest.

Important Information

California Tax Forms on the Internet!

Do you need a California franchise or income tax form or publication? Do you have Internet access? If so, you may download, view and print 1994, 1995 and 1996 California tax forms and publications. Our Internet address is:

http://www.ftb.ca.gov

California Taxpayers that are 25% Foreign-Owned U.S. Corporations and Foreign Corporations

If you were required to file federal Form(s) 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business, with your federal

return and you are a California taxpayer, you must attach a copy to your California return. The penalty for failing to include Form(s) 5472 as required is \$10,000 per form. See page 4 for more information.

Filing Requirements

Reminder: Legislation repealed R&TC Section 18634, thereby eliminating the filing requirement (Form FTB 2427, Worldwide Affiliation Schedule) for any bank or corporation with total worldwide assets (including related entities) exceeding \$200 million, operative for information returns due on or after January 1, 1996. The due date includes approved extensions to file the information return.

Small Business Stock Questionnaire

An information questionnaire, form FTB 3565, Small Business Stock Questionnaire, is included on page 29 of this booklet. For income years beginning on or after January 1, 1996 corporations are required to file form FTB 3565 with Form 100 on or before the extended due date of the return. The purpose of this questionnaire is to provide information regarding the issuance of stock pursuant to R&TC Section 18152.5. Refer to the instructions for form FTB 3565 on page 30 of this booklet.

General Information

Form 100 is California's tax return for corporations, banks, financial corporations, real estate mortgage investment conduits (REMICs), regulated investment companies (RICs), real estate investment trusts (REITs), Massachusetts or business trusts, publicly traded partnerships (PTPs), homeowners' associations (HOAs), political action committees (PACs) and limited liability companies (LLCs) treated as corporations. REMICs that are partnerships must file Form 565.

S corporations must file Form 100S, S Corporation Franchise or Income Tax Return.

Records Maintenance Requirements

Any taxpayer filing on a water's-edge or worldwide basis is required to keep and maintain records and make available upon request the following:

- Any records as may be appropriate in determining the correct treatment of items reported on the worldwide or water's-edge combined report for purposes of determining the income attributable to California;
- Any records as may determine the treatment of items as nonbusiness or business income;
- Any records as may be appropriate to determine the apportionment factor; and
- Documents and information, to determine the proper attribution of income to the U.S. or foreign jurisdictions under IRC Subpart F, IRC Section 882, or other similar provisions of the IRC

For more information refer to R&TC Section 19141.6. A corporation may be required to authorize an agent to act on its behalf in response to requests for information or records pursuant to R&TC Section 19504.

A Franchise or Income Tax

Form 100 is used to file either a California corporation franchise tax return or a California corporation income tax return. Unless stated otherwise, the term "corporation" as used in these instructions applies to all the entities listed above.

Corporation franchise tax

The corporation franchise tax is imposed on all corporations "doing business," incorporated or qualified to do business in California and is prepaid for the privilege of doing business. It is measured by the income of the preceding year (the income year) for the privilege of doing business in the following year (the taxable year). For purposes of these instructions, the term "income year" means taxable year for corporations that are subject to the corporate income tax under Chapter 3 of the Bank and Corporation Tax Law.

The term "doing business" means actively engaging in any transaction for the purpose of financial gain or profit.

Entities subject to this tax are:

- All corporations incorporated or qualified to do business in California;
- All corporations doing business in California, whether or not incorporated or qualified under California law; and
- Banks doing business in California.

Corporation income tax

The corporation income tax is imposed on all corporations that derive income from sources within California but are not doing business in California

For purposes of the corporation income tax, the term "corporation" includes:

- Associations; and
- · Massachusetts or business trusts; and
- Real estate investment trusts.

This term does not include banks.

Political organizations that are exempt under R&TC Section 23701r and have political taxable income in excess of \$100 also must file a Form 100. Political taxable income is defined as all amounts received during the income year other than:

- Contributions of money or property;
- Membership fees, dues or assessments; or
- Proceeds from the sale of political campaign material that are not received in the ordinary course of any trade or business.

Homeowners' associations that are exempt under R&TC Section 23701t and have nonexempt gross income in excess of \$100 also must file Form 100. Nonexempt gross income of a homeowners' association is defined as all income other than amounts received from membership fees, dues or assessments.

Note: An exempt homeowners' association may also be required to file Form 199, California Exempt Organization Annual Information Statement or Return.

B Tax Rates

The tax rates below apply to corporations subject to either the corporation franchise tax or the corporation income tax.

- Corporations other than banks and financial corporations 9.3%
- Banks and financial corporations (calendar year). 11.3%

For income years ending on or after 12-31-95, banks and financials are required to use a rate 2% above the corporate rate (currently 9.3%). See R&TC Section 23186(f).

For income years beginning on or after January 1, 1997, the tax rate for corporations is 8.84%.

C Minimum Franchise Tax

All corporations subject to the corporation franchise tax, including banks, financial corporations and corporate partners of partnerships doing business in California, must file Form 100 and pay at least the minimum franchise tax as required by law. The minimum franchise tax, as indicated below, must be paid whether the corporation is active, inactive, operates at a loss or files a return for a short period.

- Qualified inactive gold or quicksilver mining corporations \$25
 All other corporations (see General
- All other corporations (see General Information A for definitions) subject to franchise tax \$800

A combined group filing a single return must pay at least the minimum franchise tax for each corporation in the group that is subject to franchise tax

There is no minimum franchise tax for:

- Corporations that are subject only to income tax if they are not "doing business" in California, and are not incorporated or qualified under the laws of California, but derive income from sources within California (get FTB Pub. 1050, FTB Pub. 1060, or FTB Pub. 1063 for more information regarding "doing business");
- Credit unions:
- Exempt HOAs, and PACs;
- Qualified non-profit farm cooperative associations;
- · Exempt organizations; and
- Corporations that are not incorporated under the laws of California and whose sole activities in this state are engaging in convention and trade show activities for seven or fewer days during an income year, and that do not derive more than \$10,000 of gross income reportable to this state during an income year. These corporations are not "doing business" in California (get FTB Pub. 1060 for more information).

D Accounting Period/Method

The income year of a corporation must not be different from the tax year used for federal purposes, unless initiated or approved by FTB (R&TC Section 24632).

A change in accounting method requires consent from the FTB. However, a corporation that obtains federal approval to change its accounting method, or that is permitted or required by federal law to make a change in its accounting method without prior approval and does so, is deemed to have the FTB's approval if: (1) the corporation files Form 100 consistent with the change for the first year the change becomes effective; and (2) the change is consistent with California law. A copy of federal Form 3115, Application for Change in Accounting Method, and a copy of the federal consent to the change must be attached to Form 100. FTB may modify a requested change if the change would distort income for California purposes.

Note: California is not following the automatic consent procedure of Federal Revenue Procedure 96-31.

F When to File

File Form 100 by the 15th day of the 3rd month after the close of the income year unless the return is for a short period as required under R&TC Section 24634. See R&TC Section 18601(c) for the due date of the short period return. Farmer's cooperative associations must file Form 100 by the 15th day of the 9th month after the close of the income year. For final returns, see General Information O and P.

F Extension of Time to File

If the corporation cannot file its California return by the 15th day of the 3rd month after the close of the income year, it may file on or before the 15th day of the 10th month, without filing a written request for an extension unless the corporation is suspended on the original due date. This does not extend the time for payment; the full amount of tax must be paid by the original due date of Form 100. If there is an unpaid tax liability complete and send form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations, with the payment by the original due date.

Note: If the corporation must pay its tax liability using electronic funds transfer (EFT), all payments must be remitted by EFT to avoid penalties. Do not send form FTB 3539.

G Electronic Funds Transfer (EFT)

Corporations that meet certain requirements must remit all of their payments through EFT rather than by paper checks. Once a corporation remits an estimated tax payment or extension payment in excess of \$20,000 or has a total tax liability in excess of \$80,000 in any income year beginning on or after January 1, 1995, the FTB will notify the corporation that all future payments must be made by EFT. Those that wish to participate on a voluntary basis may do so. For more information, call the FTB EFT Section at 916-845-4025, or get FTB Pub. 3817, Electronic Funds Transfer Program Information Guide.

H Where to File

If a tax is due, and the corporation is not required to use EFT, make the check or money order payable to the "Franchise Tax Board." Write the California corporation number on the check or money order. Mail the return and payment to:

FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO, CA 94257-0501

Mail all other returns, including those with payment by EFT to:

FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO, CA 94257-0500

I Net Income Computation

The computation of net income, on Form 100, Side 1, generally follows the determination of taxable income as provided in the IRC. However, there are differences that must be taken into account when completing Form 100. There are two ways to complete Form 100:

Note: Regardless of the net income computation method used, the corporation must attach any form, schedule or supporting document referred to on the return, schedules or forms filed with FTB.

1. Federal reconciliation method

- Attach a copy of federal Form 1120 or Form 1120A, Page 1, U.S. Corporation Income Tax Return and all pertinent supporting schedules, or transfer the information from federal Form 1120 or Form 1120A, Page 1, on to Schedule F and attach all pertinent schedules;
- Enter the amount of federal ordinary income before any net operating loss (NOL), on Form 100, Side 1, line 1; and
- Enter state adjustments on line 2 through line 16 to arrive at net income after state adjustments, Side 1, line 17.

See the specific line instructions for more information.

2. Schedule F - California computation

If the corporation has no federal filing requirement or if the corporation maintains separate records for state purposes, complete Form 100, Schedule F, Computation of Net Income, to determine state income. If net income is computed under California laws, generally no state adjustments are necessary. Transfer the amount from Schedule F, line 30, to Side 1, line 1. Complete Form 100, Side 1, line 2 through line 16, only if applicable.

J Alternative Minimum Tax

Corporations that claim certain types of deductions, exclusions and credits may be subject to California's alternative minimum tax (AMT). Generally, corporations that completed federal Form 4626, Alternative Minimum Tax — Corporations, must also complete California Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations. For more information, see Schedule P (100) included in this booklet.

K Estimated Tax

Every bank and corporation, unless exempt by law, must pay estimated tax using Form 100-ES, Corporation Estimated Tax. Estimated tax is generally due and payable in four installments:

- The 1st payment is due by the 15th day of the 4th month of the income year (note that this payment may not be less than the minimum franchise tax, if applicable); and
- The 2nd, 3rd and 4th installments are due and payable by the 15th day of the 6th, 9th and 12th months respectively, of the income year.

Note: If the corporation must pay its tax liability using EFT, all estimate payments due **must** be remitted by EFT to avoid penalties.

Note for first-time filers: The prepayment of tax made to the Office of the Secretary of State at the time of incorporation or qualification is for the privilege of "doing business" during the corpora-

tion's **first** taxable year. **Do not** claim this payment as an estimated tax payment or credit against the tax liability shown on the return for the corporation's first year.

The first tax return the corporation files reports the income of its first income year. The tax shown on that return is the tax for the privilege of doing business in the corporation's **second** taxable year.

California law has conformed to the federal expanded annualization periods for the computation of estimate payments. For more information, get the instructions for Form 100-ES.

L Commencing Corporations

Effective for income years beginning on or after January 1, 1997, the minimum tax for the first income year is \$600 for qualified new corporations. The corporations are required to pay the minimum franchise tax for their first income year to the California SOS. A Qualified New Corporation is a corporation that reasonably estimates for the income year that it will have both (1) gross receipts, less returns and allowances reportable to California of \$1,000,000 or less and (2) tax on net income that does not exceed \$800. If during the first income year the corporation's gross receipts exceed \$1,000,000 or tax on net income exceeds \$800, then an additional tax amount of \$200 shall be due on the original due date of its return for the first income year. The \$600 minimum tax rate does not apply to a corporation if 50% or more of the stock is owned by another corporation during the first income year.

The tax measured by the income in the first year of business (first income year) is for the privilege of "doing business" during the second year.

Even if the first income year is for a period of less than 12 months or if the corporation is inactive during the first income year, the corporation must pay at least the minimum franchise tax by the first estimate installment due date and file Form 100 by the due date.

For more information, get FTB Pub. 1060, Guide for Corporations Starting Business in California.

Note for first-time filers: The prepayment of tax made to the Office of the Secretary of State at the time of incorporation or qualification is for the privilege of "doing business" during the corporation's first taxable year. Do not claim this payment as an estimated tax payment or credit against the tax liability shown on the return for the corporation's first year.

M Penalties

Failure to file a timely return

Any corporation that fails to file Form 100 on or before the extended due date is assessed a penalty. The penalty is 5% of the unpaid tax for each month, or part of the month, the tax remains unpaid from the due date of the return until filed. The penalty may not exceed 25% of the unpaid tax. If a corporation does not file its return by the extended due date, the automatic extension will not apply and the late filing penalty will be assessed from the original due date of the return.

Failure to pay total tax by the due date

Any corporation that fails to pay the total tax shown on Form 100 by the original due date is assessed a penalty. The penalty is 5% of the unpaid tax, plus 0.5% for each month, or part of the month (not to exceed 40 months), the tax

remains unpaid. This penalty may not exceed 25% of the unpaid tax.

Note: If a corporation is subject to both the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total penalty may not exceed 25% of the unpaid tax.

Underpayment of estimated tax

Any corporation that fails to pay, pays late or underpays an installment of estimated tax is assessed a penalty. The penalty is a percentage of the underpayment for the underpayment period.

Get form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine both the amount of underpayment and the amount of penalty.

Note: If the corporation uses Exception B or Exception C to compute or eliminate any of the four installments, form FTB 5806 must be attached to the **front** of Form 100.

Information reporting penalty

Certain domestic corporations that are 25% or more foreign-owned and foreign corporations engaged in a U.S. trade or business must include federal Form(s) 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business, with this return. Attach a copy of Form(s) 5472 to Form 100. The penalty for failing to include Form(s) 5472, as required, is \$10,000 per form.

If the corporation does not file the tax return by the due date or extended due date, whichever is later, copies of federal Form(s) 5472 must still be filed on time. Attach a cover letter indicating the taxpayer's name, California corporation number and income year. Mail to the same address used for returns without payments. When the corporation files Form 100, also attach copies of the federal Form(s) 5472.

Secretary of State penalty

The California Corporations Code requires the FTB to assess a penalty for failure to file an annual statement of corporate officers with the California SOS.

For more information, contact:

CALIFORNIA SECRETARY OF STATE PO BOX 944230 SACRAMENTO CA 94244-2300 Telephone: (916) 657-3537

Accuracy and fraud related penalties

California conforms to IRC Sections 6662 through 6664 that authorize the imposition of an accuracy-related penalty equal to 20% of the related underpayment, and the imposition of a fraud penalty equal to 75% of the related underpayment.

Other penalties

Other penalties may be imposed for a check returned for insufficient funds, failure to pay by EFT when required, non-U.S., foreign corporations operating while forfeited or without qualifying to do business in California and domestic corporations operating while suspended in California. For more information, see General Information Q and R&TC Sections 19011, 19134, 19135, 19141.5 and 19164.

N Interest

Interest is due and payable on any tax due if not paid by the original due date of Form 100. Interest is also due on some penalties. An extension of time to file Form 100 does not stop interest from accruing. California follows federal rules for the calculation of interest. For more information, get FTB Pub. 1138, Refund/Billing Information.

O Dissolution/Withdrawal

The franchise tax for the period in which the corporation formally dissolves or withdraws is measured by the income of the year in which it ceased doing business in California, unless such income has already been taxed at the rate prescribed for the taxable year of dissolution or withdrawal.

A corporation that commenced doing business in California before January 1, 1972, is allowed a credit that may be refunded in the year of dissolution or withdrawal. The amount of the refundable credit is the difference between the minimum franchise tax for the corporation's first full 12 months of doing business and the total tax paid for the same period.

To claim this credit, enter the amount on line 33. Make a notation to the right of line 33: "Dissolving/Withdrawing."

The return for the final taxable period is due on or before the 15th day of the 3rd full month following formal dissolution or withdrawal.

For more information, get FTB Pub. 1038, Guide for Corporations Dissolving, Surrendering (Withdrawing) or Merging.

Samples and/or forms for a dissolution, surrender or merger agreement filing may be obtained by addressing your request to:

ATTN: LEGAL REVIEW CALIFORNIA SECRETARY OF STATE 1500 11TH ST 3RD FLOOR SACRAMENTO CA 95814-5701 Telephone: (916) 657-5448

P Ceasing Business

Because the corporation franchise tax is a prepaid tax, a special tax computation is necessary when a corporation ceases to do business. The tax for the final year in which the corporation does business in California is:

- The tax measured by the income of the preceding year; PLUS
- The tax measured by the income of the year in which the corporation ceases to do business; PLUS
- The tax due on unreported income attributable to installment obligations.

The tax due must be at least the minimum franchise tax. Generally, the corporation will remain subject to the minimum franchise tax for each year it is in existence until it files a certificate of dissolution or withdrawal with the Office of the Secretary of State. For more information, see General Information O and R&TC Sections 23331 through 23335.

Q Suspension/Forfeiture

If a corporation fails to file a return and/or fails to pay any tax, penalty or interest due, its powers, rights and privileges may be suspended (in the case of a domestic corporation) or forfeited (in the case of a foreign corporation). Corporations that operate while suspended or forfeited are subject to a \$2,000 penalty, which is in addition to any tax, penalties and interest already accrued. Also, any contracts entered into during suspension or forfeiture are voidable at the request of any party to the contract other than the suspended or forfeited corporation.

Such contracts will remain voidable and unenforceable by the corporation unless the corporation applies for relief from contract voidability and FTB grants the relief.

For more information, see R&TC Sections 19135, 19719, 23301, 23305.1 and 23305.2.

R Apportionment of Income

Corporations with business income attributable to sources both within and outside of California are required to apportion such income. To calculate the apportionment percentage, use Schedule R, Apportionment and Allocation of Income.

S Combined Report

If two or more corporations are engaged in a unitary business and derive income from sources within and outside of California, the members of the group that are subject to California's franchise or income tax are required to apportion the combined income of the entire unitary group in order to compute the measure of the tax.

If the income of a unitary group is derived wholly from California sources, its members may either file returns on a separate accounting basis or file on a combined report basis.

Members of a unitary group may elect to file a group single return by filing Schedule R-7, Election to File a Unitary Taxpayers' Group Return and List of Affiliated Corporations.

A combined unitary group single return must present the group's data by separate corporation, as well as in combined format.

The total combined tax, which must include at least the minimum franchise tax for each corporation subject to the franchise tax, must be shown on Form 100, Side 1, line 22.

For more information, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

T Water's-Edge Reporting

To make a water's-edge election, each unitary taxpayer must enter into a contract with FTB by filing Form 100-WE, Water's-Edge Contract. For the election to be valid, Form 100-WE must be signed and attached to the original return. A copy of the contract must be attached to all subsequent returns filed during the contract period.

In consideration for being allowed to file on a water's-edge basis, the taxpayer must, among other things:

- File returns on a water's-edge basis for a period of 84 months;
- Agree to business income treatment of dividends received from certain corporations; and
- Consent to the taking of certain depositions and the acceptance of subpoenas duces tecum requiring the reasonable production of documents.

Water's-edge returns must have form FTB 2426, Water's-Edge Cover Sheet, attached to the **front** of Form 100.

For more information, get the Form 100-WE, Water's-Edge Booklet.

U Amended Return

To correct or change Form 100 file Form 100X, Amended Corporation Franchise or Income Tax Return. If the Internal Revenue Service (IRS) examined and changed the corporation's federal return or if the corporation filed an amended federal return, file Form 100X within six months of the final federal determination.

V Information Returns

Every corporation engaged in a trade or business and making or receiving certain payments in the course of the trade or business is required to file information returns to report the amount of such payments.

Payments that must be reported include, but are not limited to, compensation for services not subject to withholding, commissions, fees, prizes and awards, payments to independent contractors, rents, royalties and pensions exceeding \$600 annually, interest and dividends exceeding \$10 annually and cash payments over \$10,000 received in a trade or business. Payments of any amount by a broker or barter exchange must also be reported.

Report payments on federal Form 1099 (series). Reports must be made for the calendar year and generally are due to the IRS on February 28th of the year following payment.

W Net Operating Loss (NOL)

Carryover periods varying from 5 to 15 years and carryover deductions varying from 50% to 100% are allowed for NOLs sustained by qualified corporations for income years beginning on or after January 1, 1994.

R&TC Sections 24416, 24416.1, 24416.2, 24416.3 and 25108 provide for NOL carryovers incurred in the conduct of a trade or business.

R&TC Section 24347.5 provides special treatment for the carryover of disaster losses incurred in an area designated by the President of the United States or the Governor of California as a disaster area.

For more information, see form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations (included in this booklet), or get form FTB 3805Z, Enterprise Zone and Program Area Business Booklet; form FTB 3806, Los Angeles Revitalization Zone Booklet and form FTB 3807, Local Agency Military Base Recovery Area Booklet.

X Limited Liability Companies

California law authorizes the formation of LLCs and recognizes out-of-state LLCs doing business in California. The taxation of an LLC in California depends upon its classification as a corporation or partnership for federal tax purposes.

If an LLC is classified as a corporation for federal tax purposes, it must file Form 100. LLCs classified as corporations are subject to the applicable provisions of the Bank and Corporation Tax Law, including the requirement that corporations prepay the minimum franchise tax when they incorporate or qualify to do business with the California Secretary of State.

If an LLC is classified as a partnership for federal tax purposes, it must file Form 568, Limited Lia-

bility Company Return of Income. LLCs classified as partnerships determine their income, deductions and credits under the Personal Income Tax Law and are subject to an annual tax as well as a schedule of fees based on gross receipts.

Specific Line Instructions

Filing Form 100 without errors will expedite processing. Before mailing Form 100, make sure entries have been made for the:

- Income year, beginning and ending dates;
- California corporation number;
- Federal employer identification number (FEIN); and
- Corporation name.

Questions A through AA

Answer all applicable questions and attach additional sheets, if necessary. Be sure to answer Questions F through AA on Side 2. Note the following instructions when answering:

Question D — REMIC

If a corporation is a REMIC for federal purposes. it is deemed to be a REMIC for California purposes. A REMIC is subject to the minimum franchise tax but is not subject to the income or franchise tax. The income of a REMIC is taxable to the holders of the REMIC interests. In order to qualify, substantially all of the assets of the entity must consist of "qualified mortgages" and "permitted investments." California law is the same as federal law, except California does not impose a tax on prohibited transactions, as defined in IRC Section 860F. See the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return, to determine if the corporation qualifies. If the corporation is a REMIC for federal purposes, answer "yes" to Question D, complete Form 100 and attach a copy of federal Form 1066.

Question F — Transfer or acquisition of voting stock

All corporations **must** answer Question F. If yes, attach a statement explaining changes in affiliation. Answer "yes" if:

- The percentage of outstanding voting shares of this corporation or its subsidiary(ies) owned by one person or one entity cumulatively exceeded 50% during this year; or
- The total of voting shares transferred to one irrevocable trust cumulatively exceeded 50% during this year; or
- One or more irrevocable proxies transferred voting rights to more than 50% of the outstanding shares to one person or one entity during this year; or
- This corporation's cumulative ownership or control of the stock or other ownership interest in any legal entity exceeded 50% during this year; or
- Cumulatively more than 50% of the total outstanding shares of this corporation have transferred, changed ownership or control during this year.

R&TC Section 64(e) requires this information for use by the California State Board of Equalization.

Question G — Principal business activity code

All corporations must answer Question G.

Using the list found on page 24, enter the code number for the specific industry group from which the greatest percentage of California "total receipts" is derived. "Total receipts" means gross receipts plus all other income.

If, as its principal business activity, the corporation: (1) purchases raw material; (2) subcontracts out for labor to make a finished product from the raw materials; and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010-3998) under "Manufacturing."

Question H — Enterprise zone, program area, Los Angeles Revitalization Zone (LARZ) or Local Agency Military Base Recovery Area (LAMBRA) tax benefits

Answer "yes" if the corporation claims:

- A net interest deduction for enterprise zone, program area or LARZ investments (claimed on Side 1, line 14);
- An enterprise zone, program area or LARZ business expense deduction (claimed on Side 1, line 15);
- An enterprise zone hiring/sales or use tax credit (claimed on Form 100, line 23 through line 25 or Schedule P (100), Part II);
- A program area hiring/sales or use tax credit (claimed on Form 100, line 23 through line 25 or Schedule P (100), Part II);
- A LARZ hiring/sales or use tax credit (claimed on Form 100, line 23 through line 25 or Schedule P (100), Part II);
- A LAMBRA hiring/sales or use tax credit (claimed on Form 100, line 23 through line 25 or Schedule P (100), Part II); or
- An NOL from an enterprise zone, program area, LARZ or LAMBRA (claimed on Form 100, line 19).

Corporations must also attach form FTB 3805Z, Enterprise Zone/Program Area Deduction and Credit Summary, form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary or Form 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, to Form 100 to claim these tax benefits. If the proper form is not attached, these tax benefits may be disallowed.

Question I — Technological property contribution tax benefits

Check the box if the corporation claims a credit carryover for contributing a computer, scientific equipment or apparatus (claimed on Form 100, line 23 through line 25 or Schedule P (100), Part II).

Question K — Limited liability company

Answer "yes" only if the business entity for which the Form 100 is being filed is organized as an LLC but is classified as a corporation for federal tax purposes. An LLC classified as a **partner-ship** for federal tax purposes should file **Form 568**, Limited Liability Company Return of Income.

Line 1 – Net income (loss) before state adjustments

Corporations using federal reconciliation to figure net income (see General Information I) must:

 Transfer the amount from federal Form 1120, line 28, or federal Form 1120A, line 24, to line 1 and attach a copy of the federal return and all pertinent supporting schedules; or copy the information from federal Form 1120 or Form 1120A, Page 1, onto Schedule F and transfer the amount from Schedule F, line 30, to line 1. • Then, complete Form 100, Side 1, line 2 through line 16, State Adjustments.

Corporations using the California computation to figure net income (see General Information I) must transfer the amount from Side 3, Schedule F, line 30, to line 1. Complete Form 100, Side 1, line 2 through line 16, only if applicable.

Line 2 through Line 16 - State adjustments

To figure net income for California purposes, corporations using federal reconciliation must enter California adjustments to the federal net income on line 2 through line 16. If a specific line for the adjustment is not on Form 100, corporations must enter the adjustment on line 7, Other additions, or line 15, Other deductions and attach a schedule that explains the adjustment.

Line 2 and Line 3 - Taxes not deductible

California does not permit a deduction of California corporation franchise or income taxes or any other taxes on, according to, or measured by income or profits. Such taxes that are shown on Form 100, Schedule A must be added to income by entering the amount on Side 1, line 2 or line 3 (see Schedule A, column (d) for the amount to be added to income). California does not permit a deduction for environmental taxes imposed by IRC Section 59A.

The LLC fee is not a tax (R&TC Section 23092); therefore, it is deductible. Do not enter the amount of the fee on line 2 or line 3.

Line 4 - Interest on government obligations

Corporations subject to California franchise tax must report all interest received on government obligations (such as federal, state or municipal bonds) even though exempt from state or federal income tax. Add interest on government obligations that is not reported on the federal return to income by entering the amount on line 4.

Corporations subject to California corporation income tax see instructions for line 15.

Line 5 - Net capital gain

Complete Side 2, Schedule D and enter the California net capital gain from Schedule D, line 11.

Adjust the federal capital gain taxable income out of California taxable income on line 12.

Line 6 - Depreciation and amortization

California law is substantially different from federal law.

Complete form FTB 3885, Corporation Depreciation and Amortization (included in this booklet), to determine the amounts to be entered on line 6.

Line 7 - Other additions

Any miscellaneous items that must be added to arrive at net income after state adjustments (line 17) should be shown on this line. Attach a schedule to itemize amounts.

California ordinary net gain or loss. Enter any California ordinary net gain or loss from Schedule D-1, Sales of Business Property. Attach Schedule D-1.

Note: Business expense deductions are not allowed for payments to a club that restricts membership or the use of its services or facilities on the basis of age, sex, race, religion, color, ancestry or national origin. "Club" means a club as defined in the Business and Professions Code, Div. 9, Ch. 3, Art. 4, beginning with Section 23425. Add back such deductions on this line.

Line 9, Line 10 and Line 11 - Dividends

See Schedule H, Dividend Income Deduction, instructions.

Line 12 - Federal capital gain net income

Enter the federal capital gain net income. The California net capital gain should have been added to income on line 5.

Line 13 - Contributions

For income years beginning on or after January 1, 1996, the contribution deduction is 10% of California net income. Carryover provisions per IRC Section 170(d)(2) apply for excess contributions made during income years beginning on or after January 1, 1996.

On a separate worksheet, using the Form 100 format, complete Form 100, Side 1, through line 17 without regard to line 13, Contributions. Then complete the worksheet that follows to determine the contributions to enter on this line.

1.	Net income after state adjustments from Side 1, line 17	
2.	Deduction for dividends received	
3.	Net income for contribution calculation purposes. Add line 1 and line 2	
4.	Contributions. Multiply line 3 by 10% (.10)	
5.	Enter the amount actually contributed	
6.	Enter the smaller of line 4 or line 5 here and on Side 1, line 13	

If any federal contribution deduction was taken in arriving at the amount entered on Side 1, line 1, enter that amount as a positive number on line 7.

Get Schedule R, Apportionment and Allocation of Income, to figure the contribution computation for apportioning corporations.

Line 14 – Net interest deduction for enterprise zone, program area or LARZ investment

A deduction may be claimed on this line for the amount of net interest on loans made to an individual or company doing business within an enterprise zone, program area or LARZ. For more information, get form FTB 3805Z or form FTB 3806, for 1996. Be sure to answer "yes" to Question H and attach form FTB 3805Z or form FTB 3806 if any of these benefits are claimed. If the proper form is not attached, these tax benefits may be disallowed.

Line 15 - Other deductions

Include on this line deductions not claimed on any other line. Attach a schedule that clearly

shows how each deduction was computed and explain the basis for the deduction.

For corporations subject to income tax (instead of the franchise tax), interest received on obligations of the federal government and on obligations of the State of California and its political subdivisions is exempt from income tax. If such interest is reported on line 4, it must be deducted on line 15.

Federal ordinary net gain or loss. Enter any federal ordinary net gain or loss from federal Form 4797, Sales of Business Property.

Line 18 – Net income (loss) for state purposes

If all corporate income is derived from California sources, transfer the amount on line 17 directly to line 18. If only a portion of income is derived from California sources, complete Schedule R, Apportionment and Allocation of Income, before entering any amount on line 18. Transfer the amount from Schedule R, line 24, to line 18. If this line is a net loss, complete and attach the 1996 form FTB 3805Q, to Form 100.

Line 19 – Net operating loss (NOL) carryover deduction

The NOL carryover deduction is the amount of the NOL carryover from prior years that may be deducted in the current income year.

If line 18 is a positive amount, enter the NOL carryover from the 1996 form FTB 3805Q, Part III, line 3 on Form 100, line 19. The loss may not reduce current year income below zero. Any excess loss must be carried forward. Attach to Form 100 a copy of the 1996 form FTB 3805Q.

If the full amount of the NOL carryover may not be deducted this year, complete and attach a 1996 form FTB 3805Q, showing the computation of the NOL carryover to future years.

If line 18 is a negative amount, corporations may not claim an NOL carryover deduction. Enter -0-on line 19. See the 1996 form FTB 3805Q instructions to compute the NOL carryover to future years.

If the corporation terminates its election to be taxed as an S corporation, thus becoming a C corporation, then only that portion of the prior NOL carryover incurred while it had C corporation status may be used to the extent it has not expired.

If the corporation has an enterprise zone, program area, LARZ or LAMBRA loss, enter the amount from form FTB 3805Z, form FTB 3806 or form FTB 3807.

Line 20 - Disaster loss carryover deduction

If you have a disaster loss carryover deduction, enter the total amount from the 1996 form FTB 3805Q, Part III, line 2, only if you have income in the current year. The loss may not reduce current year income below zero. Any excess loss must be carried forward.

Line 22 - Tax

See General Information B and C.

Line 23 through Line 27 - Tax credits

A variety of tax credits are available to California corporations to reduce tax. However, corporations may not reduce the tax (line 22) below the minimum franchise tax, if applicable.

Also, the amount of the credit that a corporation is allowed to claim may be limited. Generally, if the corporation completed federal Form 4626, Alternative Minimum Tax — Corporations, the corporation may have limited credits. Complete Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations, to compute this limitation.

Corporations claiming only

- Enterprise zone hiring/sales or use tax credit;
- Program area hiring/sales or use tax credit;
- LARZ construction hiring/sales or use tax credit:
- Solar energy credit carryover;
- Commercial solar energy credit carryover;
- Commercial solar electric system credit;
- Research credit;
- Orphan drug credit carryover; and
- Low-income housing credit

are not subject to this type of limitation.

Each credit is identified by a code number. To claim one, two or three credits, enter the credit name, code number and the amount of the credit on line 23, line 24 and line 25. To claim more than three credits, use Schedule P (100). List three of the credits on line 23, line 24 and line 25. Enter the total of any remaining credits from Schedule P (100) on line 26.

To figure tax credits, use the appropriate form or schedule. If the corporation claims a credit carry-over for an expired credit, use form FTB 3540, Credit Carryover Summary, to figure the amount of this credit, unless the corporation is required to complete Schedule P (100). In that case, enter the amount of the credit on Schedule P (100) and complete Schedule P (100). Do not attach form FTB 3540.

Attach the credit form or schedule and Schedule P (100), if applicable, to Form 100.

CREDIT NAME	CODE	DESCRIPTION
Disabled Access Credit — FTB 3548	205	Similar to the federal credit, but limited to \$125 per eligible small business, and based on 50% of qualified expenditures that do not exceed \$250
Donated Agricultural Products Transportation Credit – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations
Employer Child Care Contribution - FTB 3501	190	Employer: 30% of contributions to a qualified plan
Employer Child Care Program – FTB 3501	189	Employer: Cost of establishing a child care program or constructing a child care facility
Enhanced Oil Recovery Credit – FTB 3546	203	1/3 of the similar federal credit but limited to qualified enhanced oil recovery projects located within California
Enterprise Zone Hiring & Sales or Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRAs
Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax – FTB 3806	159	Business incentives for LARZ
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturers' Investment – FTB 3535	199	6% of the cost of qualified property
Prior Year Alternative Minimum Tax – FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 1996
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Program Area Hiring & Sales or Use Tax – FTB 3805Z	177	Business incentives for program areas
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Salmon & Steelhead Trout Habitat Restoration – Obtain certification from: DEPARTMENT OF FISH AND GAME C/O TIMBER TAX CREDITS PROGRAM PO BOX 944209 SACRAMENTO CA 95244-2090	200	10% of qualified costs
Agricultural Products Commercial Solar Electric System Commercial Solar Energy Contribution of Computer Software Employer Ridesharing Energy Conservation Low Emission Vehicles Orphan Drug Recycling Equipment Ridesharing Solar Energy Solar Pump	175 196 181 202 191 192 193 182 160 185 174 171 180 179	The expiration dates for these credits have passed. However, these credits had carryover features. You may claim these credits if there is a carryover available from prior years. If you are not required to complete Schedule P (100), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.
Technology Property Contributions	201	

Line 28 - Balance

Subtract line 27 from line 22. Enter the result or the applicable minimum franchise tax, whichever is greater. See General Information C.

Line 29 - Alternative minimum tax

Enter on this line the alternative minimum tax from Schedule P (100), Part I, line 19; or Part II, line 18, whichever is applicable.

Line 35 and Line 36 – Tax due or overpayment

Revise the amount of tax due or overpayment, if applicable, by the amount on Side 2, Schedule J, line 6. See Schedule J instructions.

Line 39 – Penalties and interest

Complete and attach form FTB 5806, Underpayment of Estimated Tax by Corporations, to the **front** of Form 100, only if Exception B or Exception $\ensuremath{\mathsf{C}}$ is used in computing or eliminating the penalty.

Schedules

Schedule A — Taxes Deducted

Enter the nature of the tax, the taxing authority and the amount of the tax that is not deductible on Form 100, Schedule A.

Schedule D — Capital Gain or Loss

California law is the same as federal law, except California does not allow a three-year carryback of capital losses. For more information, refer to the instructions for federal Schedule D (Form 1120).

Enter any unused capital loss carryover from 1995 on line 3.

Schedule F — Computation of Net Income Line 28 – Specific deduction for 23701r or 23701t organizations

Political organizations

A political organization exempt under R&TC Section 23701r must file Form 100 and report "political taxable income" in excess of \$100.

"Political taxable income" means all amounts received during the income year other than:

- Contributions of money or other property;
- Membership fees, dues or assessments; and
- Proceeds from political fund raising or entertainment events or proceeds from the sale of political campaign material not received in the ordinary course of any trade or business.

Political organizations are not subject to the minimum franchise tax. The tax is computed under Chapter 3 of the Bank and Corporation Tax Law.

Enter the \$100 limit on Schedule F, line 28, as a qualified "specific deduction."

Exempt homeowners' associations

A homeowners' association exempt under R&TC Section 23701t must file Form 100 if it received nonexempt gross income in excess of \$100. Form 100 may be required in addition to Form 199, California Exempt Organization Annual Information Statement or Return.

Nonexempt gross income means gross income received during the income year other than amounts received from membership fees, dues or assessments. Nonexempt gross income includes the gross amount of such items as, but not limited to: interest, dividends, rents, royalties, sale of assets and income from nonmembers.

Exempt homeowners' associations are not subject to the minimum franchise tax. The tax is computed under Chapter 3 of the Bank and Corporation Tax Law. Under Chapter 3, estimated tax payments may be required. Form 100 is due within 2 months and 15 days after the close of the income year.

Enter the \$100 limit on Schedule F, line 28, as a qualified "specific deduction."

Schedule J — Add-On Taxes or Recapture of Tax Credits

Complete Schedule J, if the corporation has credit amounts to recapture or is required to include installment payments of "add-on" taxes from:

- Last-in, first-out (LIFO) recapture resulting from an S corporation election;
- Interest computed under the look-back method for completed long-term contracts;
- Interest on tax attributable to installment sales of certain property or use of the installment method for non-dealer installment obligations; or
- IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of an IRC Section 197 intangible.

Revise the amount of tax due or overpayment on Form 100, line 35 or line 36, as applicable by the amount from Schedule J, line 6.

Installment payment of tax attributable to LIFO recapture for corporations making an S corporation election. A corporation that uses the LIFO inventory pricing method and makes an S corporation election must include a "LIFO recapture amount" in income for its last year as a C corporation. The corporation's LIFO recapture amount is equal to the excess of the inventory amount using the first-in, first-out (FIFO) method, over the inventory amount using the LIFO method, at the close of the corporation's last income year as a C corporation.

The additional tax resulting from inclusion of the LIFO recapture in income is payable in four equal installments. The first installment is due on the original due date of Form 100 of the electing corporation's last year as a C corporation.

To determine the additional tax due to LIFO recapture, the corporation must complete Form 100, Side 1, through line 30, based on

income that does not include the LIFO recapture amount.

On a separate worksheet using the Form 100 format, the corporation must complete the equivalent of Form 100, Side 1, line 18 through line 30, based on taxable income including the LIFO recapture amount. Form 100, Side 1, line 30, must then be compared to line 30 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since Form 100, Side 1, line 30, does not include the additional tax due to LIFO recapture, corporations must include 1/4 of the additional tax on Schedule J, line 1 and adjust line 35 or line 36 accordingly. Attach the worksheet showing the computation.

Note: Corporations must pay the remaining three installments of deferred tax with Form 100S, California S Corporation Franchise or Income Tax Return. The payments must be made by the original due date of Form 100S, for each succeeding year.

Long-term contracts. If the corporation must compute interest under the look-back method for completed long-term contracts, complete and attach form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the corporation owes or the amount of interest to be credited or refunded to the corporation on Schedule J, line 2. If interest is to be credited or refunded, enter as a negative amount. Attach form FTB 3834 to Form 100.

Interest on tax attributable to payments received on installment sales of certain timeshares and residential lots. If the corporation elected to pay interest on the amount of tax attributable to payments received on installment obligations arising from the disposition of certain timeshares and residential lots under IRC Section 453(I)(3), it must include the interest due on Schedule J, line 3a. For the applicable interest rates, get FTB Pub. 1138, Refund/Billing Information. Attach a schedule showing the computation.

Interest on tax deferred under the installment method for certain nondealer installment obligations. If an obligation arising from the disposition of property to which IRC Section 453A(c) applies is outstanding at the close of the year, the corporation must include the interest due under IRC

Section 453A on Schedule J, line 3b. For the applicable interest rates, get FTB Pub. 1138.

IRC Section 197(f)(9)(B)(ii) election. Complete Schedule J, line 4 if the corporation elected to pay tax on the gain from the sale of an intangible under the related person exception to the anti-churning rules.

Credit recapture. Complete Schedule J, line 5, if the corporation completed the credit recapture portion of:

FTB 3501, Employer Child Care Program/Contribution Credit; or

- FTB 3805Z, Part VI, Enterprise Zone and Program Areas Recapture of Deduction and Credits: or
- FTB 3806, Part VI, Los Angeles Revitalization Zone Recapture of Deduction and Credits: or
- FTB 3807, Part VI, Local Agency Military Base Recovery Area Recapture of Deduction and Credits.
- FTB 3535, Manufacturer's Investment Credit.

Schedule G — Bad Debts Reserve Method Only savings and loan associations, banks and financial corporations may use the bad debt reserve method. Use the format on page 10 to prepare Schedule G. Attach Schedule G to Form 100.

Schedule H — Dividend Income Deduction

A corporation may eliminate or deduct dividend income when certain requirements are met. There are three different methods to eliminate or deduct dividends received from income.

Intercompany Dividends

A corporation may eliminate dividends received from unitary subsidiaries but only to the extent that the dividends are paid from unitary earnings and profits accumulated while the subsidiary was a member of the combined report. (R&TC Section 25106). Complete Form 100, Schedule H, column (a) through column (f) and enter the total of column (f) on Form 100, Side 1, line 9.

Water's-Edge Dividends

Recent legislation amended R&TC Section 24411 to allow a flat 75% deduction of a portion of the dividends received and included in the water's-edge return. Dividends received from banks **do not** qualify for the water's-edge dividend deduction. Both business and nonbusiness dividends qualify for the dividend deduction. The allowable business dividend deduction is determined by multiplying the total dividend deduction (business and nonbusiness) by the ratio of business dividends to total dividends. The remaining dividend deduction is the nonbusiness dividend deduction.

In no event will a R&TC Section 24411 deduction be allowed with respect to a dividend for which a deduction was allowed under R&TC Section 24402 or Section 24410 or which was eliminated under R&TC Section 25106.

Current year qualifying dividends are dividends received by any current member of the water's-edge group from a corporation (regardless of the place of incorporation) if:

- The average of the payer's property, payroll and sales factors within the U.S. is less than 20%; and
- More than 50% of the total combined voting power of all classes of voting stock is owned directly or indirectly by a member of the water's-edge group at the time the dividend is received.

The payer need not be in a unitary relationship with the recipient or any other member of the water's-edge group.

Intercompany dividends received within the current year's water's-edge group should be eliminated pursuant to R&TC Section 25106 before computing the dividend deduction.

The R&TC Section 24411 deduction is 75% of qualifying dividends.

A deduction of 100% is provided for dividends derived from certain foreign construction projects. A construction project is defined as an activity attributable to an alteration of land or any improvement thereto. The construction project, the location of which is not subject to the taxpayers' control, must be undertaken for an entity, including a governmental entity, that is not affiliated with the water's-edge group. For more information, see R&TC Section 24411 and Form 100-WE, Water's-Edge Booklet and instructions.

List the total qualifying water's-edge dividends in column (d) and write "WE" next to the amount. Multiply the total qualifying dividends by 75%, and enter this amount in column (g). Add the total amount of foreign construction project dividends, if any, to the water's-edge dividends deduction entered in column (g)

and enter the result in the total for column (h) (write "WE" next to the amount). Also enter the total for column (h) amount on Form 100, Side 1, line 11. Or, attach a schedule showing the above computation.

Other Dividends

Corporations may claim a deduction for dividends:

- Paid by a corporation taxed by California on earnings from which such dividends are paid (R&TC Section 24402); or
- Received from a California insurance company subject to tax imposed by Part 7 of the R&TC and not previously deducted under R&TC Sections 24411 or 25106 (to qualify for this deduction, the recipient corporation must be commercially domiciled in California and must own at least 80% of each class of stock of the insurance company) (R&TC Section 24410).

To determine the deductible percentage of a dividend (Schedule H, column (g)), send a written request showing the complete name of the dividend-paying corporation to:

DEDUCTIBLE DIVIDENDS FRANCHISE TAX BOARD PO BOX 1468 SACRAMENTO CA 95812-1468

FAX: 1-916-845-6888

Or call the FTB at the telephone numbers on page 31 of this booklet. Allow six to eight weeks for a written reply. Enter this amount on Schedule H, column (g).

To determine the amount of dividends to enter on Form 100, line 10, determine the corporation's percentage of ownership of the dividend paying corporation from Schedule H, column (f) and enter on Schedule H, column (i):

- 70%, if the dividend paying corporation is less than 20%-owned;
- 80%, if the dividend paying corporation is at least 20% but not more than 50%-owned: or
- 100%, if the dividend paying corporation is more than 50%-owned.

Multiply dividend received (column (d)) by the deductible percentage (column (g)) and enter the result in column (h). Multiply the amount in column (h) by the limitation percentage (column (i)) and enter the result in column (j). Enter the total from Schedule H, column (j),

on Form 100, line 10.

Schedul	Schedule G Bad Debts — Reserve Method Complete only if a savings and loan association, bank or financial corporation.								
		Amount add	ed to reserve		(f) Reserve for bad				
(a) Income year	(b) Accounts outstanding at the end of the year	(c) Current year's provision	(d) Recoveries	(e) Amount charged against reserve	debts at end of year				
1991									
1992									
1993									
1994									
1995									
1996									

Instructions for Schedule P (100)

Alternative Minimum Tax and Credit Limitations — Corporations

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 1993, and to the California Revenue and Taxation Code (R&TC).

General Information

Unless stated otherwise, the term "corporation" as used in Schedule P (100) and in these instructions includes banks, financial corporations, limited liability companies classified as corporations, and certain exempt organizations, but not S corporations.

California tax laws give special treatment to some types of income and allow special deductions and credits for some types of expenses. Corporations that benefit from these laws may have to pay alternative minimum tax (AMT) in addition to the minimum franchise tax.

Also use this schedule to figure credits that are limited by the tentative minimum tax (TMT) or that may reduce AMT.

See IRC Sections 55 through 59 for more information on figuring AMT. But note that R&TC Sections 23455, 23456, 23457 and 23459 modify IRC Sections 55 through 59.

Who Must File

Banks and corporations should file Schedule P (100) if the sum of: AMT adjustments; preference items; loss denials; and other items as specified under IRC Section 59 and state net income exceeds \$40,000. Exempt organizations with unrelated business income should file Schedule P (100) if the sum of: AMT adjustments; preference items; loss denials; and items specified under IRC Section 59 and state net unrelated business taxable income exceeds \$40,000.

In addition, if the corporation claims credits that are limited by TMT (Part I, line 17), or if the corporation claims credits that reduce the AMT (Part I. line 19). the corporation must file Schedule P (100).

Members of a Combined Report

Alternative minimum taxable income (AMTI) and adjusted current earnings (ACE) are apportioned and allocated to California and to each taxpayer in the same manner as net income for purposes of regular tax. A separate AMT calculation is required for EACH member of a combined report. See instructions for Part I, line 4b, line 5a, line 5d, line 7b, line 9 and line 10.

Short Period Return

For a short period return, use the formula in IRC Section 443(d) to determine AMTI and AMT.

Credit for Prior Year AMT

If the corporation paid AMT for 1995 or has a carryover of credit for prior year AMT and has no AMT liability for 1996, the corporation may use this credit in 1996 to reduce its regular tax liability. Complete Part III to figure this credit.

Specific Line Instructions

Part I — Adjustments

Line 2a - Depreciation of tangible property placed in service after 1986

Do not include depreciation adjustments attributable to a tax shelter farm activity or a passive activity on this line. Instead, include the adjustment on line 2g or line 2h.

Refigure the depreciation as follows: For property other than real property and property on which the

straight-line method was used, use the 150% declining balance method, switching to straight-line for the first income year in which that method will give a better result. Use the same life classes as used on the federal Form 4626, Alternative Minimum Tax -Corporations. For personal property having no asset depreciation range (ADR) class life, use 12 years. For residential rental and nonresidential real property, use the straight-line method over 40 years. Determine the depreciation adjustment by subtracting the recomputed depreciation from the California depreciation on form FTB 3885, Corporation Depreciation and Amortization. Enter the difference on this

If the corporation elected to depreciate a grapevine that was replanted in a vineyard as a result of phylloxera infestation over 5 years instead of 20 years for regular tax, it must depreciate the grapevine over 10 years for AMT.

Note: If inventory was depreciated, refigure the inventory based on the depreciation adjustment discussed above.

Line 2b - Amortization of certified pollution control facilities placed in service after 1986

For any certified pollution control facility placed in service after 1986, figure the entry for this line in the same manner as line 2a (without reducing the basis by 20% under IRC Section 291(a)(5)), using the straight-line method of depreciation instead of 150% declining balance.

Line 2c - Amortization of mining exploration and development costs incurred after 1987

If the corporation elected the optional 10-year writeoff under IRC Section 59(e) for all assets in this category, skip this line.

With respect to each mine or other natural deposit (other than an oil, gas or geothermal well) refigure the expenses (before the 30% reduction under IRC Section 291(b)) by amortizing them over 10 years beginning with the year in which the expenses were paid or incurred. Figure the adjustment by subtracting the refigured amount from the deduction taken under IRC Sections 616(a) or 617(a) after the 30% reduction. Enter the amount on this line. If a loss resulted with respect to those expenses, see IRC Section 56(a)(2)(B).

Line 2d - Basis adjustments in determining gain or loss from sale or exchange of property

If the corporation disposed of property during the year, refigure the gain or loss from such sale taking into account the AMT adjustments on line 2a through line 2c. Enter the difference between the gain or loss reported for regular tax and the recomputed gain or loss. If the recomputed gain is less, or the loss is more, enter the difference as a negative amount. Otherwise, enter a positive amount.

Line 2e - Long-term contracts entered into after February 28, 1986

If the corporation entered into a long-term contract after February 28, 1986, determine the taxable income from the contract under the percentage of completion method of accounting as modified by IRC Section 460(b) and R&TC Section 24673.2, using AMT adjustments and tax preference items.

Determine the difference between that result and the amount determined for the contract in figuring the regular tax, and enter the difference on this line. If

the refigured taxable income is less than the result when determining the regular tax, enter the difference as a negative amount.

IRC Section 460(b)(2), to which California has conformed, requires the taxpayer to "look back" to previous years during which the contract work for certain contracts was in progress and compute interest on the difference between the tax that was actually paid and the tax that would have been paid if the taxpayer had known the actual contract prices and costs that would finally result.

Get form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to figure the interest due or to be refunded under the "look-back method."

Line 2f - Installment sales of certain property

For regular tax purposes, corporations may use the installment method of accounting for sales of certain property. For AMT, corporations may not determine income from dispositions of inventory or other property described in IRC Section 1221(1) using the installment method, except for certain dispositions of timeshares or residential lots, if the corporation elected to pay interest under IRC Section 453(I)(2)(B) (R&TC Section 24667).

If the corporation used the installment method for regular tax purposes but was required for AMT purposes to report the entire gain in the year of disposition, the corporation may have adjustments with respect to those dispositions. Enter on this line as a negative amount the current year income the corporation reported for regular tax.

Line 2g - Tax shelter farm activities (personal service corporations only)

Caution: To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, do not include them on any other line of this schedule.

Complete this line only if the corporation has a gain or loss from a tax shelter farm activity, as defined in IRC Section 58(a)(2), that is not a passive activity. If the tax shelter farm activity is a passive activity, the corporation must include the gain or loss with its other passive activities on line 2h.

Refigure all gains and losses reported for regular tax purposes from tax shelter farm activities using the AMT adjustments and tax preference items.

Figure the tax shelter farm activity gain or loss for AMT using the same rules the corporation used for regular tax except:

- Do not take any recomputed loss unless the corporation is insolvent. See IRC Section 58(c)(1): and
- Do not offset gains from other tax shelter activities with any recomputed loss.

Instead, suspend and carry over the loss to future income years until:

- The corporation has a gain in a future income year from that same tax shelter farm activity; or
- The corporation disposes of the activity.

Enter on this line the difference between the AMT tax shelter farm loss and the regular tax shelter farm

Line 2h - Passive activities (closely held corporations and personal service corporations only)

Caution: To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, do not include them on any other line of this schedule.

Corporations may enter two kinds of adjustments on this line:

Regular passive activities. Refigure passive activity gains and losses for AMT by taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses that apply to the passive activity.

Tax shelter passive farm activities. Refigure any gain or loss from a tax shelter passive farm activity taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses. If the amount is a gain, it can be included on form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, but if it is a loss, the adjustment for tax shelter passive farm activity is the loss the corporation reported for regular tax. The AMT loss carryover is the refigured AMT loss.

Note: If, at the end of the income year, the corporation's liabilities exceed the fair market value of the corporation's assets (insolvency), increase the passive activity loss allowed by that excess (but not more than the total loss). See IRC Section 58(c)(1).

Line 2i - Certain loss limitations

Refigure the allowable losses from at-risk activities and basis limitations applicable to partnerships, taking into account the AMT adjustments and tax preference items. See IRC Sections 59(h), 465 and 704(d). If the recomputed loss is more than the loss reported for purposes of the regular tax, enter on this line as a negative amount, the difference between the loss reported on the tax return for purposes of the regular tax and the recomputed loss.

Tax Preference Items

Line 3a - Depletion

In the case of mines, wells and other natural deposits, enter the amount by which the deduction for depletion under IRC Section 611, is more than the adjusted basis of the property at the end of the corporation's income year. Figure the adjusted basis without regard to the depletion deduction and figure the excess separately for each property.

California conformed in 1993 to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. See federal Form 4626. However, your California depletion costs may continue to be different from the federal amounts because of prior differences in law and different bases.

See IRC Section 291(a)(2) for reduction in the amount allowable as a deduction in the case of iron ore and coal.

Line 3b – Appreciated property charitable deduction

Contributions deducted in excess of adjusted basis for regular tax purposes (R&TC Section 24357) must be included as a tax preference item.

Line 3c - Intangible drilling costs

If the corporation elected the optional 60-month write-off under IRC Section 59(e) for all property in this category, skip this line.

Enter the amount by which excess intangible drilling costs exceed 65% of net income from oil, gas and geothermal properties.

Figure excess intangible drilling costs as follows: From the intangible drilling and development costs allowable under IRC Sections 263(c) or 291(b) (except costs in drilling a nonproductive well), subtract the amount that would have been allowable if these costs had been capitalized and either amortized over 120 months starting when production began or treated according to an election made under IRC Section 57(b)(2).

Net income from oil, gas and geothermal properties is gross income from them, minus the deductions allocable to them, except for excess intangible drilling costs and nonproductive well costs.

Figure the line 3c amount separately for oil and gas properties that are not geothermal deposits and for oil and gas properties that are geothermal deposits.

Note: California conformed in 1993 to the limited federal repeal of intangible drilling costs preferences for independent producers. However, California did not conform to the limit on the benefit of the exclusion of the preference for intangible drilling costs from 30% to 40% of AMTI in 1994. See federal Form 4626 and instructions. Also, note that your intangible drilling costs amounts may differ from federal amounts because of differences in the law.

Line 3d – Reserves for losses on bad debts of savings and loan associations

In the case of a savings and loan association to which IRC Section 593 applies, enter the excess of the deduction allowable for a reasonable addition to a reserve for bad debts over the amount that would have been allowable had the institution maintained its bad debt reserve for all income years based on actual experience.

Line 3e – Accelerated depreciation of real property placed in service before 1987

Enter on this line, but not less than zero, the difference between the depreciation taken for this property in determining the regular tax and depreciation as refigured using the straight-line method. Figure this amount separately for each property and include only positive adjustments. Use the straight-line method over the life of the property using the half-year convention and no salvage value.

Line 3f – Amortization of certified pollution control facilities placed in service before 1987

For any certified pollution control facility in California placed in service before 1987 (or before August 1, 1986, if an election was made), figure the amount by which the amortization allowable under IRC Section 169 is more than the depreciation deduction otherwise allowable. Before figuring this tax preference item, reduce the amortizable basis by 20% (15% if the facility was placed in service in 1983 or 1984, 0% if placed in service before 1983), as required under IRC Section 291. Multiply the difference above by 59 5/6% (71.6% if the facility was placed in service in 1983 or 1984, 100% if placed in service before 1983). Enter only positive amounts.

Line 4b – Apportioned pre-adjustment alternative minimum taxable income (AMTI)

For taxpayers required to apportion their income, pre-adjusted current earnings (ACE) adjusted AMTI is apportioned and allocated to California in the same manner as net income for purposes of the regular tax. This may be done by transferring the amount from line 4a to Schedule R, Apportionment and Allocation of Income, line 1a. Recompute the Schedule R taking into account any AMT adjustments, then transfer the recomputed net income from Schedule R, line 24 to Schedule P (100), line 4b.

For combined reports, each taxpayer's pre-ACE adjusted AMTI is the sum of (1) that corporation's apportioned share of combined business pre-ACE adjusted AMTI and (2) any of that corporation's California source pre-ACE adjusted AMTI. For additional guidance in making these computations, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

Line 5a - ACE adjustment

If this schedule is for a regulated investment company (RIC) or a real estate investment trust (REIT), skip this line.

Note: For federal purposes the ACE depreciation adjustment is no longer required. California has not conformed to this provision of the Revenue Reconciliation Act of 1993

The ACE adjustment is the pre-adjustment AMTI from line 4b with additional adjustments. California's ACE adjustment generally follows the federal ACE adjustment rules in IRC Section 56(g). To compute the California ACE, the federal ACE worksheet included in the instructions for the federal Form 4626 can be used by taking into account the modifications of R&TC Sections 23456 (e) and (f), if applicable. For example:

Taxes. Taxes on, according to or measured by income are not deductible from earnings and profits (E&P). Foreign taxes on, according to or measured by income are not deductible even though a foreign tax credit is not taken for federal purposes. Environmental taxes imposed by IRC Section 59A are not deductible from E&P.

Depreciation and amortization. For property placed in service on or after January 1, 1981, and before January 1, 1987, the amount allowable as depreciation or amortization must be determined using the straight-line method for each income year of useful life (determined without regard to R&TC Section 24354.2) that the corporation has held the property.

For property placed in service on or after January 1, 1987, and before January 1, 1990, the amount allowable as depreciation or amortization must be determined by using the state AMTI depreciable basis as of the close of the income year beginning before January 1, 1990 and applying IRC Section 168(g).

Dividends. Dividends deductible for regular California tax purposes are deductible from E&P.

The provision of IRC Section 56(g)(4)(C)(ii), for 100% dividend, does not apply.

The provisions of IRC Sections 56(g)(4)(C)(iii) and (iv), for dividends from IRC Section 936 companies and certain dividends received by certain cooperatives, do not apply.

Certain amortization provisions. IRC

Section 56(g)(4)(D)(ii) was modified to specify that circulation expenditures under R&TC Section 24364 and organizational expenditures under R&TC Section 24407 do not apply to expenditures paid or incurred in income years beginning on or after January 1, 1990 for E&P calculations.

Interest income. For entities not subject to the minimum franchise tax, interest income included in E&P must not exceed the amount of interest income included for regular tax purposes.

Appropriate adjustments must be made to limit deductions from ACE for interest expense in accordance with the provisions of R&TC Sections 24344 and 24425.

Apportioning taxpayers and members of a combined report. ACE is apportioned and allocated to California in the same manner as net income for purposes of the regular tax and AMTI (FTB Legal Ruling 94-3). The method described in the instructions for line 4b may be used to compute the California ACE.

Line 5d – Excess of AMTI increases over AMTI reductions from prior year ACE adjustments

For combined reports, each taxpayer corporation enters the excess of its prior year positive California ACE adjustments over its prior year negative California ACE adjustments.

I ine 7a

If a disaster loss carryover is claimed in 1996, enter the amount on this line.

Line 7b – AMT net operating loss (NOL) deduction.

The AMT net operating loss is the NOL determined for regular tax except:

- For any income year beginning before 1988, reduce the NOL amount by any preference items attributable to the deferred tax that has not been paid;
- In the case of a loss year beginning after 1987, the NOL determined for regular tax for such year must be:
 - (a) Reduced by the positive AMT adjustments and increased by the negative AMT adjustments; and
 - (b) Reduced by the tax preference items (but only to the extent they increased the NOL as determined for regular tax);
- Reduce the AMT NOL by any expired losses; and
- 4. The AMT NOL may not offset more than 90% of the AMTI, Part I, line 6.

Enter on line 7b the smaller of the AMT NOL or 90% of the amount on line 6.

Taxpayers that are members of a unitary group filing a combined report must separately compute the NOL carryover and application of the NOL carryover for each corporation in the group (R&TC Section 25108).

Taxpayers who have made a water's-edge election must recompute the NOL carryover to include only those NOLs carried over from affiliated banks and corporations in the current year's water's-edge group.

The amount carried over for AMT is likely to differ from the amount (if any) that is carried over for regular tax; therefore, it is essential that the corporation retain adequate records for both AMT and regular tax.

If you had a loss from business activity within an enterprise zone, a program area, the Los Angeles Revitalization Zone (LARZ) or the Local Agency Military Base Recovery Area (LAMBRA), get FTB 3805Z, Enterprise Zone/Program Area Business Booklet; FTB 3806, Los Angeles Revitalization Zone (LARZ) Booklet; or FTB 3807, Local Agency Military Base Recovery Area (LAMBRA) Booklet.

Line 9 and Line 10

The \$40,000 exemption and the \$150,000 limitation apply to each bank or corporation included in the combined report to the extent that each bank or corporation has AMTI.

Line 16 - Banks and financial corporations

Corporations with negative or zero taxable income on Form 100, line 21, enter -0-.

Line 18 - Regular tax before credits

For installment obligations subject to IRC Sections 453 (I)(2)(B) (Timeshares and Residential Lots) and 453A (Nondealer dispositions greater than \$150,000), do not include tax increases for interest on the deferred tax liability.

Part II — Credits that Reduce Tax

Complete Part II only if the corporation has tax credits.

Use Part II to determine:

- The amount of credit that may be used to offset tax:
- The tax that may be offset;
- The amount of credit, if any, that may be carried over to future years; and
- The order in which to claim credits, if the corporation has more than one credit to claim.

Before you begin Part II:

- Complete Form 100 through line 22.
- Figure the amount of credit(s) using a schedule or the credit form identified in the Credit Table.
 Be sure to attach the credit form or schedule to the return, if applicable.

To complete Part II:

- Complete line 1 through line 3 to figure the amount of excess tax the corporation may offset by credits.
- Identify in which section(s) of Part II the corporation may take tax credit(s). Credits without carryover provisions are listed on Schedule P in Section A1 and may be taken only in that section. Credits with carryover provisions are listed on the Credit Table on the next page. The table identifies the section(s) of Part II in which the corporation may take these tax credits.
- If the corporation has credit(s) in Section B, be sure to complete line 10 in addition to the line(s) for the corporation's credit(s).
- If the corporation's credit is taken in Section A2, or B, enter the credit code and the credit name in the space provided. Refer to the Credit Table for the credit code.
- Complete column (a) through column (d) for each line on which the corporation is taking a credit. Refer to specific column instructions below.
- If the corporation credit(s) are taken in more than one section, complete each section before going to the next section.
- Once the corporation has completed Section II, see How to Claim Credits on page 4.

Section A — Credits that reduce excess tax

Section A Instructions

Line 3 – Subtract line 2 from line 1. If the amount is zero or less than zero continue to Question 1. If the amount is greater than zero go to the Section A1 instructions

- Does the Credit Table show that the corporation may take the credit ONLY in Sections A1 or A2?
 - **Yes.** Do not take the credit this year. Go to question 2.
 - No. Go to Section B to figure the amount of credit the corporation may take this year. Then continue to Section C if the corporation's credit is listed in that section.

- 2. Does the credit have carryover provisions?
 - Yes. Enter the credit code, credit name and credit amount (column (a)) in the section indicated by the table. Enter -0- in column (b). Enter the credit amount in column (d). This is the amount of the credit the corporation may carry over and use in future years.
 - **No.** Do not take the credit this year or in future years.

Section A1 Instructions

Line 4 – If the corporation has the credit listed in this section, complete column (a) through column (c).

Section A2 Instructions

Line 5 through Line 9 – Follow the Credit Table Instructions to find out in which section to claim the credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Note: Generally, it is to the corporation's advantage to apply credits with limited carryovers before credits with no limitation on the carryover. However, the corporation may want to apply credits with no limitation on carryover first if that is more advantageous.

Corporations may use these credits to reduce regular tax but not below TMT. The corporation may be able to, if applicable, use them in Section B or Section C or carry them over to future years. The credits that do not have shading in column (d) can be used in Section B, or carried over to future years, if applicable, after reducing the regular tax down to TMT.

Section B — Credits that may reduce tax below tentative minimum tax

Corporations may use these credits to reduce the regular tax below TMT. And corporations may carry over to future income years any credits remaining after reducing the regular tax to zero. But, if the corporation has a tax balance and can continue to use the credit in Section C, apply the carryover in Section C.

Section B Instructions

Line 11 through Line 14 – Follow the Credit Table Instructions to find out in which section to claim your credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Note: Generally, it is to the corporation's advantage to apply credits with limited carryovers before credits with no limitation on the carryover. However, the corporation may want to apply credits with no limitation on carryover first if that is more advantageous.

Section C — Credits that may reduce alternative minimum tax

If the corporation has AMT and remaining solar energy credit carryover and commercial solar energy credit carryover after reducing the regular tax to zero, the corporation may reduce AMT using these credits. And corporations may carry over to future income years any credits remaining after reducing the AMT to zero.

Section C Instructions

Line 16 and Line 17 – If the corporation has any of the credits listed in this section, complete column (a) through column (d) for each credit in the order listed.

Column Instructions - In column:

- (a) Enter the amount of credit available to offset tax;
- (b) Figure the amount of credit the corporation is able to use this year by entering the smaller of the amount in column (a) or the amount in column (c) from the previous line;
- (c) Figure the amount of tax remaining to be offset by other credits by subtracting the amount in column (b) from the balance in column (c) of the previous line: and
- (d) Enter the amount of credit carryover available to use in future years by subtracting the amount in column (b) from the amount in column (a).

How to Claim Credits

Claim credits by transferring them to Form 100 as follows:

Credits on line 4 through line 17 – If the corporation claims only one, two or three credits, enter the name, code number and amount of the credit from column (b) on Form 100, line 23, line 24 and line 25. To claim credits that are listed in more than one section, total column (b) of the credits that have the same code numbers. Then enter the name, code number and amount of the credit on Form 100, line 23, line 24 and line 25.

Other Credits – If the corporation has any other credits to claim, add the amounts from column (b) for those credits. Enter the total on Form 100, line 26.

Credit Table Instructions

To use the table:

- 1. Find the corporation's credit(s) listed in the table.
- 2. See which sections are identified in the columns under "Offset tax in Section."
- Take the credit only in sections the table identifies for the corporation's credit.
- 4. Use the credit in the earliest section possible.
- Complete each section before going to the next section.

Part III — Credit for Prior Year AMT

Use this part to figure the 1996 credit for prior year AMT if the corporation paid AMT for 1995 or had an alternative minimum tax credit carryover from 1995.

For members of a unitary group filing a combined report, compute the credit for prior year AMT for each entity in the current year's group.

Line 1

Enter the AMT from the 1995 Schedule P (100), Part I, line 19. If this amount was reduced by any commercial solar energy credit carryover or solar energy credit carryover, use the AMT from Section C, line 19 of the 1995 Schedule P (100.)

Line 2

Enter the credit for prior year alternative minimum tax carryover from the 1995 Schedule P (100), Part II, line 10, column (d).

Line 3

Enter this amount on Part II, line 9, column (a).

Credi	t Table						
Code	Current Credits	Form	Offse	et tax	in Se	ction:	
205	Disabled Access Credit	FTB 3548		A2			
204	Donated Agricultural Products	FTB 3547		A2			
	Transportation Credit						
189	Employer Child Care Program	FTB 3501		A2			
190	Employer Child Care Contribution	FTB 3501		A2			
203	Enhanced Oil Recovery Credit	FTB 3546		A2			
176	Enterprise Zone Hiring &	FTB 3805Z		A2 ₁			
	Sales or Use Tax			A2 ₂	B ₂		
	1 = hiring credit 2 = sales or use tax credit						
159	Los Angeles Revitalization	FTB 3806		A2	В		
	Zone (LARZ) Hiring & Sales or						
	Use Tax						
198	Local Agency Military Base Recovery	FTB 3807		A2			
	Area (LAMBRA) Hiring & Sales or Use Tax						
					///	///	
172	Low-Income Housing	FTB 3521		A2	В		///
199	Manufacturers' Investment	FTB 3535		A2	B		
188	Prior Year Alternative Minimum Tax	FTB 3510	///	A2			
162	Prison Inmate Labor	FTB 3507	A1	///	///		
177	Program Area Hiring & Sales or Use Tax	FTB 3805Z		A2	В		
400		ETD 0500		40	В		
183	Research	FTB 3523		A2			
200	Salmon & Steelhead Trout Habitat Restoration	N/A		A2			
Code	Expired credits with carryover provisions	Form	Offse	et tax	in Section:		
175	Agricultural Products	FTB 3540		A2			
196	Commercial Solar Electric System	FTB 3540		A2	В		
181	Commercial Solar Energy	FTB 3540		A2	В		С
202	Contribution of Computer Software	FTB 3540		A2			
191							
192	Employer Ridesharing	FTB 3540		A2			
193							
182	Energy Conservation	FTB 3540		A2			
160	Low-Emission Vehicles	FTB 3540		A2			
185	Orphan Drug	FTB 3540		A2	В		
184	Political Contributions	FTB 3540		A2			
174	Recycling Equipment	FTB 3540		A2			
_171	Ridesharing	FTB 3540		A2			
180	Solar Energy	FTB 3540		A2	В	///	С
179	Solar Pump	FTB 3540		A2			///
_201	Technological Property Contribution	FTB 3540		A2	<u> </u>	V///	

INCOME YEAR FORM

1996 California Corporation Franchise or Income Tax Return

1	\sim	\sim
- 1	()	()

				MONTH	DAY		YEAR		MONTH	DAY	YEAR
Fo	or ca	end	ar year 1996 or income year	beginning		Ļ_		1996, and ending			
	Prov	ide b	ooth California corporation number	and FEIN		_	Einal ratur	rn? ■ □ Dissolved □ S	Currendered assu	.daguar) NA	orgod/Doorgon:
Label	Calif	ornia	corporation number F	ederal employer identification	number	\dashv^{\wedge}		Section 338 sale If a box i		_	ergeu/Reorganize
٦	1		·	. ,		L		included in a combined rep	,		☐ Yes ☐ N
sse	Corp	oratio	on name			٦,		dicate: wholly within CA	, ,		
dre						C		rporation to be treated as a			Yes N
reac	Addr	ess				٦Ŭ		rporation treated as a REMIC			
Ϋ́						F		corporation's income included			
Aff	Corp Addr City		S	tate 2	ZIP code	┨¯		eturn?			☐ Yes ☐ N
											nued on Side
		1	Net income (loss) before state ad	iustments. See instructions					• 1		
		2	Amount deducted for foreign or de	omestic tax based on incor	ne or profit	s.			• 2		
Sta	te	3	Amount deducted for tax under th	e provisions of the Bank a	nd Corpora	tion	Tax Law		• 3		
Adj	ust-	4	Interest on government obligations	8					• 4		
mei	nts	5	Net capital gain from Schedule D,	line 11					• 5		
		6	Depreciation and amortization in e	excess of amount allowed u	under Califo	ornia	law. Atta	ach form FTB 3885.	• 6		
		7	Other additions. Attach schedule(s	8)					• 7		
		8	Total. Add line 1 through line 7 .				<u> </u>	<u> </u>	● 8		
		9	Intercompany dividend deduction	(Schedule H)			• 9				
		10	Other dividend deduction (Schedu	le H)			• 10	0			
		11	Water's-edge dividend deduction (Schedule H)			• 1	1			
		12	Capital gain from federal Form 11	20 or Form 1120A, line 8.			12	2			
		13	Contributions				• 13	3			
		14	Net interest deduction for enterprise	zone, program area or LAR	Z investme	nt	• 14				
		15	Other deductions. Attach schedule	e(s)			15	5		<u>//////</u>	<u>////////</u>
		16	Total. Add line 9 through line 15.						• 16		
_		17	Net Income (loss) after state adju-	stments. Subtract line 16 fr	om line 8.		<u> </u>		• 17		
			is derived from California source alifornia, complete Schedule R a						from source	es both wi	thin and
			Net income (loss) for state purpos						● 18		
Cal Net			Net operating loss (NOL) carryover				• 19		1111111		
	ome		Disaster loss carryover deduction.				• 20				
		21	Net income for tax purposes. Con					8	• 21		
		22	Tax% x line 21 (not le						■ 22		
		23	Enter credit name	code no and am	ount		▶ 23	3			
		24	Enter credit name	code no and am	ount		▶ 24	4			
		25	Enter credit name	code no and am	ount		▶ 2!	5			
Tax	es	26	To claim more than three credits,	see instructions			• 26	6			
		27	Add line 23 through line 26						2 7		
		28	Balance. Subtract line 27 from lin	e 22 (not less than minimu	ım franchis	e ta	k, if appli	cable)	■ 28		
		29	Alternative minimum tax. Attach S	chedule P (100). See Gene	eral Informa	ation	J		29		
		30	Total tax. Add line 28 and line 29	<u>) </u>					■ 30	,,,,,,,,	
		31	Overpayment from prior year allow				■ 3′				
Pay		32	1996 estimated tax payments				■ 32				
mei	nts	33	Amount paid with extension of time	e to file return			■ 33	3		<u>//////</u>	<u>////////</u>
_		34	Total payments. Add line 31 throu						■ 34		
		35	Tax due. If line 30 is more than I						■ 35		
		36	Overpayment. If line 34 is more						■ 36	,,,,,,,,	///////////////////////////////////////
	ount	37	Amount of line 36 to be credited to				3 7		<u>//////</u>	<u>///////</u>	<u>/////////</u>
Due Ref	or und	38	Amount of line 36 to be refunded						■ 38	////////	///////////////////////////////////////
		39	Penalties and interest. See Gener				39		<i>\/////</i>		
		40	Check box if estimate penalty w			-			///////	////////	<u>/////////////////////////////////////</u>
		40	Total amount due. Add line 35 a	nd line 39. Pay this amoun	t with this	retur	n		40		

Schedule	E D California Capital Gains and Los	sses						
	rt-Term Capital Gains and Losses — A		or Les	s Use addition	onal sheet(s) if necess	sarv.	
<u> </u>	(a) Kind of property and description (Example, 100 shares of Z Co.)	(b) Date acquired (mo., day, yr.)	(c)	Date sold ., day, yr.)	(d) Gross		(e) Cost or other b plus expense of s	
1								
2 Short-te	rm capital gain from installment sales fror	n form FTB 3805E, lin	ne 26 o	r line 37				2
3 Unused	capital loss carryover from 1995							3
4 Net sho	rt-term capital gain (loss). Combine line 1	through line 3						4
Part II Lon	g-Term Capital Gains and Losses — A	ssets Held More Tha	n One	Year Use ad	ditional she	eet(s) if ned	essary.	
5								
_	ain from Schedule D-1, line 7 or line 9.						ľ	6
-	rm capital gain from installment sales from							7
	g-term capital gain (loss). Combine line 5							8
	ccess of net short-term capital gain (line							9
-	ital gain. Enter excess of net long-term can and an Form 10			-				10
	e 9 and line 10. Enter here and on Form 10 Add-On Taxes or Recapture of				ins, carry to	iwaiu iosse	5 10 1997	11
	capture due to S corporation election (IRC				1			1
	computed under the look-back method fo							2
	on tax attributable to installment:	r completed long term	contrac	7 (7 titaori 10	12 00	0.,		_
	s of certain timeshares and residential lots						•	3a
	od for nondealer installment obligations .							3b
	ction 197(f)(9)(B)(ii) election							4
5 Credit re	ecapture name:							5
6 Combine	e line 1 through line 5. Revise the amour	it on Side 1, line 35 o	r line 3	6, whichever	applies, by	this amou	nt. Write	
"Schedu	lle J" to the left of line 35 or line 36		<u></u>				•	6
Question	s (continued from Side 1)		S	Is this corporat	ion a RIC for	California purp	oses?	• 🔲 Yes 🗌 No
	rporation or its subsidiary(ies) have a change in conti		Т				nore than 50% of the	
	nership or control of any other legal entity this year?						interest? rporation?	
	usiness activity code (Do not leave blank)	•	-				ons owned or control	
	AMBRA tax benefits?	• 🗆 Yes 🗆	No				ts?	
	e if claiming technological property contribution tax be	_					ltimate parent _	
	oorated: • Where: State			•			, ,	pertinent names, addresses,
	poration an LLC classified as a corporation by the IRS		No				ner(s) is an individua	•
L Date busing California s	ess began in California or date income was first deriv	ved from	U				federal Forms 1099)	
M Accounting		Other	- _V				Within California	
•	principal accounting records			(2) U Outside				ide of the U.S.
O Is the corp	oration under audit by the IRS or			Corporation is:	(1)	Apportioning i	ncome to California	(2) Not apportioning income
	audited in a prior year?	● □ Yes □	No X	How many affil				•
	? Check appropriate box(es).	a approted as a	.,	•			Public Law 86-272?	
	business or successor to previously existing busines proprietorship (3) \square partnership (4) \square joint venture (r Y				rposes?	
	tement showing name, address and FEIN of previous		" Z				ation owned by anoth	
Q "Doing bus	iness as" name:		AA				ts (less returns and a	
	nk or corporation or one of its subsidiaries make an			of this corporat	tion more than	\$1 million? .		• • Yes • No
	be treated as a foreign sales corporation (FSC) stic international sales corporation (DISC)?	Yes	No					
	Under penalties of perjury, I declare that I hav			accompanying	schedules ar	nd statements	s, and to the best of	of my knowledge and belief. it
Please	is true, correct and complete. Declaration of p							
Sign Here	Signature	-	_		D-4-		Talla 1	,
	of officer	Title	-	Date	Date		Telephone () arer's SSN/FEIN
	Preparer's signature			Date		Check if se	elf '	aror 3 OOIV/I LIIV
	Signature F					employed		
Paid	Firm's name (or yours,						FEIN ▶	
Preparer's	if self-employed) and address						. = F	
Use Only	and addiess						Telephone • (\

Sche	dul	e A Taxes Deducted U	Jse additio	onal sh	eet(s) if necessa	ary.							
		(a) Nature of tax				(b) Tax	ng authority			(c) Total amo	unt	(d)	Nondeductible amount
Total.	Ente	r total of column (c) on Sched	dule F, line	e 17, ar	nd amounts in co	olumn (d) or	Side 1, line 2	or lin	e 3				
Sche	dul	e F Computation of N	et Income	e See (General Informa	tion I.							
	1	a) Gross receipts or gross	s sales		b) Less	s returns a	nd allowances.			_ Balance	1_1	С	
	2	Cost of goods sold. Attach	federal S	Schedu	le A (California	Schedule \	/)			•		2	
	3	Gross profit. Subtract line 2 from line 1c) [3		
	4) _ 4	4		
	5	a Interest on obligations of	of the Uni	ited Sta	ates and U.S. in	strumentalit	ies			•	5	ia	
Income		b Other interest. Attach s	chedule .							•	5	ib	
	6		b Other interest. Attach schedule									6	
	7	Gross royalties									• 7	7	
	8	Capital gain net income. A	ttach fede	eral Sch	nedule D (Califo	rnia Sched	ule D)				• 🗔	8	
	9											9	
	10										1	0	
	11	Total income. Add line 3									1	1	
	 	Compensation of officers.						12			7		
		Salaries and wages (not d			· ·			13			1//		
					•			14			1//		
	15	_ '						15			1//		
	16	_					_	16			1//		
	17	Taxes (California Schedule						17			1//		
	18						_	18			1//		
Deduc-	19							19			-		
tions								////		///////////////////////////////////////	1//		
	20								4//				
	21	· · · · · · · · · · · · · · · · · · ·							-{//	-			
	22	Depletion. Attach schedule. 22 Advertising 23							-{//				
	23	-						23			-{//		
	24	Pension, profit-sharing, etc						24			-{//		
	25	Employee benefit plans .						25			-{//		
	26	a) Total travel and enterta			•		_	26b			-{//		
	27	Other deductions. Attach s						27			-{//		
	28	!						28			1/2	<u>/////</u>	<u>/////////////////////////////////////</u>
		Total deductions. Add line		-							. —	29	
Caba		Net income before state a									3	80	
Sche	auı					T .	1				Т	(i) Limitation	(a) Allowable other
		(a) Payer (b) Co or prei	ferred st	% of stock	(d) Dividend received	(e) Unitary (Yes/No)	(f) Allowable intercompany divi deduction (Side 1,	idend	(g) Deductible %	(h) Deductible dividend		(i) Limitation %	(j) Allowable other dividend deduction
		sto	CK OV	wned			deduction (Side 1,	line 9)			_		(Side 1, line 10)
											_		
									///////		_	///////	
		here and on the applicable line				<u></u>						<u>//////</u>	1
Sche											_		
		y at beginning of year										1	
2 Pur	chas	es										2	
		labor									<u>ا</u>	3	
4 a /	∖ddit	ional IRC Section 263A cos	ts. Attach	sched	ule						4	la	
b (Othe	r costs. Attach schedule										b	
5 Tota	al. A	dd line 1 through line 4b .									_ !	5	
		y at end of year									_	6	
7 Cos	t of	goods sold. Subtract line 6									7	7	
		inventory valuation ►											
		any substantial change in the					or valuations I	betwe	en opening	and closing i	nven	ntory?	. ☐ Yes ☐ No
		ttach an explanation. Enter											
		e LIFO inventory method wa											
		inventory method was used			•				-	-			
Do the	rule	es of IRC Section 263A (with	h respect	to prop	perty produced of	or acquired	for resale) app	ply to	the corpor	ation?			. \square Yes \square No

Sc	hedule L Balance Sheets	Beginning of	f income year	End of income year			
_	ssets	(a)	(b)	(c)	(d)		
1	Cash				•		
	a Trade notes and accounts receivable			•			
_	b Less allowance for bad debts			• (•		
3	Inventories		•		•		
	Federal and state government obligations	- V////////////////////////////////////			•		
	Other current assets. Attach schedule(s)	- <i>\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\</i>					
	Loans to stockholders/officers. Attach schedule				•		
	Mortgage and real estate loans				•		
	Other investments. Attach schedule(s)				•		
			\/////////////////////////////////////	<i>/////////////////////////////////////</i>	(/////////////////////////////////////		
9	a Buildings and other fixed depreciable assets		<i>\////////////////////////////////////</i>	• (<i>\////////////////////////////////////</i>		
40	b Less accumulated depreciation		<i></i>		(1/////////////////////////////////////		
10	a Depletable assets		<i>\////////////////////////////////////</i>	,	<i>{////////////////////////////////////</i>		
	b Less accumulated depletion		1	\			
	Land (net of any amortization)		• • • • • • • • • • • • • • • • • • •	<u> </u>	- ////////////////////////////////////		
12	a Intangible assets (amortizable only)		<i>\////////////////////////////////////</i>	,	<i>[////////////////////////////////////</i>		
	b Less accumulated amortization			(
	Other assets. Attach schedule(s)						
	Total assets	·/////////////////////////////////////	•		●		
Lia	bilities and stockholders' equity		<u> </u>		<u> </u>		
15	Accounts payable	· ////////////////////////////////////			•		
16	Mortgages, notes, bonds payable in less than 1 year.	-X////////////////////////////////////					
17	Other current liabilities. Attach schedule(s)	-X////////////////////////////////////					
18	Loans from stockholders	.V////////////////////////////////////			•		
19	Mortgages, notes, bonds payable in 1 year or more .	X/////////////////////////////////////			•		
20	Other liabilities. Attach schedule(s)	X/////////////////////////////////////			•		
	Capital stock: a Preferred stock			•			
	b Common stock		•	•	•		
22	Paid-in or capital surplus. Attach reconciliation		•		•		
	Retained earnings — Appropriated. Attach schedule .	- <i>X////////////////////////////////////</i>					
	Retained earnings — Unappropriated						
	Less cost of treasury stock	- V / / / / / / / / / / / / / / / / /	((
	Total liabilities and stockholders' equity		/				
	chedule M-1 Reconciliation of income (loss		(loss) per return	<i>V////////////////////////////////////</i>	1		
	This schedule does not have to	• •		column (d) is less than \$	\$25,000		
1	Net income per books		7 Income recorded on b		V/////////////////////////////////////		
	Federal income tax	•	included in this return	•	V ////////////////////////////////////		
	Excess of capital losses over capital gains	•	a Tax-exempt interest				
	Taxable income not recorded on books this year		a rax-exempt interest	Ψ	V ////////////////////////////////////		
7	(itemize)				•		
	(Itemize)	•	8 Deductions in this retu	urn not charged	<i></i>		
_	Expenses recorded on books this year not		against book income t	•	V ////////////////////////////////////		
J	deducted in this return (itemize)		a Depreciation	• •	V ////////////////////////////////////		
	a Depreciation \$		b State tax refunds		\ ////////////////////////////////////		
	b State taxes \$		b State tax returnus	Ψ	V ////////////////////////////////////		
	·				\ <u>\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\</u>		
	c Travel and entertainment \$		O Tatal Add line 7 and	line 0			
^	Total Add line 4 through line 5			line 8			
	Total. Add line 1 through line 5			Subtract line 9 from line 6.			
50	chedule M-2 Analysis of unappropriated ref				205.000		
_	This schedule does not have to						
	Balance at beginning of year						
	Net income per books	•		·			
3	Other increases (itemize)		•	erty	-		
			6 Other decreases (item	ize)	<i>\////////////////////////////////////</i>		
					<u> </u>		
					•		
		•	7 Total. Add line 5 and	line 6			
4	Total, Add line 1 through line 3	1	8 Balance at end of year.	Subtract line 7 from line 4.			

INCOME YEAR

1996

Corporation name

Alternative Minimum Tax and Credit Limitations — Corporations

if any, from line 19 on Form 100, line 29; or Form 109, line 19.

CALIFORNIA SCHEDULE

P (100)

California corporation number

Tentative Minimum Tax (TMT) and Alternative Minimum Tax (AMT) Computation 1 Net income (loss) after state adjustments. Enter the amount from Form 100, line 17 or Form 109, line 6...... 2 Adjustments. See instructions a Depreciation of tangible property placed in service after 1986 Amortization of certified pollution control facilities placed in service after 1986 2b Amortization of mining exploration and development costs incurred after 1987 2c Basis adjustments in determining gain or loss from sale or exchange of property . . . 2e е f Installment sales of certain property............. Tax shelter farm activities (personal service corporations only)........ 2g Passive activities (closely held corporations and personal service corporations only). 2h Beneficiaries of estates and trusts. Enter the amount from Schedule K-1 (541), line 8. 2i 2k 3 Tax preference items. See instructions 3b С 3c Accelerated depreciation of real property placed in service before 1987. Amortization of certified pollution control facilities placed in service before 1987 3g Pre-adjustment alternative minimum taxable income (AMTI): 4a Apportioned pre-adjustment AMTI. If income is derived from sources both within and outside of California 4b 5 Adjusted current earnings (ACE) adjustment: 5a Subtract line 4b from line 5a (even if one or both of the figures are negative). 5c d Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. Note: Enter an amount on line 5d (even if line 5b is positive) 5d e ACE adjustment: If line 5b is a positive amount or zero, enter the amount from line 5c on line 5e as a positive amount. If line 5b is a negative amount, enter the smaller of line 5c or line 5d on line 5e as a negative amount 6 7 a Reduction for disaster loss carryover deduction, if any from Form 100, line 20..... 7a **b** AMT net operating loss deduction (NOL). See instructions 7с 8 9 10 11 Subtract line 10 from line 8. If zero or less, enter -0-............ 11 12 13 14 Banks and financial corporations. Multiply Form 100, line 21 by 2.00% (.0200). See instructions | 16 17 Regular tax before credits. Enter amount from Form 100, line 22 or Form 109, line 7. See instructions AMT. Subtract line 18 from line 17. If zero or less, enter -0-........ If line 17 is more than zero and if the corporation has credits or credit carryovers, continue to Part II. Otherwise, stop here and enter the amount,

Part II Credits that Reduce Tax					
1 Regular tax from Form 100, line 22; or Form 109, line 7				1	
2 Tentative minimum tax (before credits) from Part I, line 17 (but not less than the	e min	imum franchise	e tax)	2	
Section A – Credits that reduce excess tax		(a) Credit amount	(b) Credit used this year	(c) Tax balance that may be offset by credits	(d) Credit carryover
3 Subtract line 2 from line 1. If zero or less enter -0- and see instructions.					///////////////////////////////////////
This is your excess tax which may be offset by credits	3				
A1 Credits that reduce excess tax and have no carryover provisions					
4 Code: 162 Prison inmate labor credit	4				
A2 Credits that reduce excess tax and have carryover provisions					
See instructions.					
5 Code: Credit Name:	5				
6 Code: Credit Name:	6				
7 Code: Credit Name:	7				
8 Code: Credit Name:	8				
9 Code: 188 Credit for prior year alternative minimum tax from Part III, line 3 .	9				
Section B – Credits that may reduce tax below tentative minimum tax 10 If Part II, line 3 is zero, enter the amount from line 1 minus the minimum franchise tax. If line 3 is more than zero, enter the total of Part II, line 2, minus the minimum franchise tax plus line 9, column (c)	10				
B Credits that reduce net tax and have limited carryover provisions See instructions. 11 Code: Credit Name:	11				
12 Code: Credit Name:	12				
13 Code: Credit Name:	13				
14 Code: Credit Name:	14				
Section C – Credits that may reduce alternative minimum tax 15 Enter your alternative minimum tax from Side 1, Part I, line 19	15 16				
16 Code: 180 Solar energy credit carryover from Section B, column (d)17 Code: 181 Commercial solar energy credit carryover from	10				
Section B, column (d)	17				
18 Adjusted AMT. Enter the balance from line 17, column (c) here and on Form 100, line 29	18				
Part III Credit for Prior Year AMT					
 1 Enter the alternative minimum tax from the 1995 Schedule P (100), Part I, line 2 Carryover of unused credit for prior year alternative minimum tax. See instruction 3 Total available credit. Add line 1 and line 2. See instructions	ns			. 2	

INCOME YEAR

1996

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations

CALIFORNIA FORM

3805Q

	your California tax return name as shown on the return	rn.			Ica	lifornia corporation number	or.			
Corporation	Thame as shown on the return				Ca	California corporation number				
_	year the corporation incurred oration previously filed Califo		•	☐ Limited Lia	bility Company (co	S Corporation Exempt Corporation Example				
Note: If the	ne corporation is included i	n a combined	I report of a un	itary group, see instructi	ons, General Info	ormation Section C.				
PART I	Computation of current y	ear NOL. If y	ou do not have	a current year NOL, go to	Part II.					
	oss for state purposes from F									
	as a positive number									
	disaster loss included in line act line 2 from line 1. If zero									
	nter the amount of the loss in									
	nter the amount of the loss in	-								
	dd line 4a and line 4b									
	act line 4c from line 3									
	ral NOL. Multiply line 5 by 50 NOL carryover. Add line 2, li									
	Trol daily ovoi. Add into 2, ii									
PART II	NOL carryover and disa	ster loss carı	yover limitation	ns. See Instructions.		T.,	<u> </u>			
1 Net in	come (loss) - Enter the amo	unt from Form	100 line 18: F	form 109 line 2:		(g) Available Balance				
	rm 100S, line 16 less line 17									
Prior Yea	r NOLs	`	·							
(a) Year of	(b) Code	(c) Type of NOL	(d) Initial loss	(e) Carryover	(f) Amount used		(h) Carryover to 1997			
loss	Code	(See below)	IIIIIIai 1055	from 1995	in 1996		(col. (e) - col. (f))			
							1			
2										
Current Y	ear NOLs		1			W/////////////////////////////////////	71			
3 1996	16	DIS								
3 1990	10	DIO								
4 1996										
1996				- \////////////////////////////////////						
1996										
1330										
1996										
Type of N	IOL: General (GEN), New Bu	siness (NB). E	Eligible Small Bu	siness (ESB). Title 11 (T1)	1), or Disaster (DIS	S).	·•			
	· ·	(/)			,, : ::::::: (2.1	,				
PART II		.								
	the amounts in column (f) for		•	•						
	the total amount from colum 9. For Form 109, enter -0									
	act line 2 from line 1. Enter t									
			, -	•						

1996 Instructions for Form FTB 3805Q

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Corporations

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 1993, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, California did not conform its law to changes made to the IRC by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 and 1996 did adopt specific provisions of the 1993 federal changes and these provisions are specifically identified when appropriate. All other references are to the IRC as it existed on January 1, 1993.

A Purpose of Form

Use form FTB 3805Q to figure the current year NOL and to limit NOL and disaster loss carryover deductions.

The California NOL is figured the same way as the federal NOL, except that for California:

- An NOL may be carried over only to future years (no carrybacks are allowed); and
- The carryover period and percentages differ from federal allowances.

Only a portion of the NOL may be eligible for carryover to future years because California has established different categories of NOL. The following table shows the percentages and carryover periods for the various kinds of losses:

Type of NOL	NOL That Can Be Carried Over	Carryover Period
General NOL	50%	5 Years
New Business - 1/1/94		
NOL Incurred: Year 1 Year 2 Year 3	100% 100% 100%	8 Years 7 Years 6 Years
Eligible Small Business Gross receipts < \$1 million	100%	5 Years
Taxpayer in Title 11 Bankruptcy	50%	10 Years
Disaster Losses	100% 50%	5 Years 10 Years

B Apportioning Corporations

The loss carryover for a corporation that apportions income is the amount of the corporation's loss, if any, after adding income or loss apportioned to California to income or loss allocable to California under Chapter 17 of the Bank and Corporation Tax Law. The loss carryover may be deducted from income apportioned and allocable to California in subsequent years.

C Combined Reporting

Corporations that are members of a unitary group filing a single return must use intrastate apportionment, separately computing the loss carryover for each corporation in the group using their individual apportionment factors (R&TC Section 25108). Complete a separate

form FTB 3805Q for each taxpayer included in the combined report.

Unlike the loss treatment for a federal consolidated return, a California loss carryover for one member in a combined report may not be applied to the income of another member included in the combined report. Get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report, for more information.

D Water's-Edge

Each taxpayer's NOL carryover is limited to the amount determined by recomputing the income and factors of the original worldwide combined reporting group as if the water's-edge election had been in force for the year of the loss. The carryover may not be increased as a result of the recomputation.

E S Corporations

An S corporation is allowed to carry over a loss that is incurred during a year in which it has in effect a valid election to be treated as an S corporation. The loss is also passed through to the shareholders in the year incurred and is taken into account in determining each shareholder's NOL carryover, if any.

If a corporation changes from a C corporation to an S corporation, the loss incurred while the corporation was a C corporation may not be applied to offset income subject to the 1.5% tax imposed on an S corporation. However, losses incurred while the corporation was a C corporation may be applied against the built-in gains which is subject to tax. If the corporation incurred losses while it was a C corporation and an S corporation, the corporation must complete two forms FTB 3805Q and attach them to Form 100S, S Corporation Franchise or Income Tax Return. The unused losses incurred while the corporation was a C corporation are "unavailable" except as provided for above until the S corporation reverts back to a C corporation or the carryover period expires.

Specific Line Instructions

Part I

Use Part I of this form to figure the current year NOL, if any, eligible for carryover.

Line 1 – Enter the net loss from Form 100, line 18; Form 109, line 2; or Form 100S, line 16.

Line 2 – If the corporation incurred a disaster loss during 1996, enter the amount of the loss on this line. Enter as a positive number.

Line 3 – If the amount is zero or less the corporation does not have a current year general NOL. Go to Part II for computation of

carryovers and the current year NOL and carryover from disaster losses.

Line 7 – Go to Part II, Current Year NOLs, to record your 1996 NOL carryover to 1997. Complete columns (b), (c), (d) and (h) only, for each type of loss that you incurred.

If you have a business that qualifies as a new business or a small business and your NOL is greater than the amount of net loss from such a business, use the general NOL first. If you operate one or more new businesses and one or more eligible small businesses, determine the amount of the loss attributable to the new business(es) and to the small business(es). The NOL deduction will be taken in the following manner. The NOL is first treated as a new business NOL to the extent of the loss from the new business. Any remaining NOL is then treated as an eligible small business NOL to the extent of the loss from the eligible small business. Any further remaining NOL is treated as an NOL under the general rules.

Part II

Use Part II to limit loss carryover deductions to current year income and to record all of the corporation's loss carryover information.

If the corporation has losses from more than one source and/or more than one category, the corporation must compute the allowable NOL carryover for **each** loss separately.

When to use an NOL carryover – Use your NOLs in the order the losses were incurred. There is no requirement to deduct NOL carryovers before disaster loss carryovers.

Prior Year NOLs

Column (a) – Enter the year the loss was incurred.

Column (b) – If the loss is due to a disaster, enter the disaster code from the list on page 2. If the loss is from a New Business or Eligible Small Business, enter the Principal Business Activity Code from Question G on Form 100 or Question C on Form 100S. If the loss was from a pass-through entity, enter the entity's federal employer identification number from Schedule K-1.

Column (c) – Enter the type of loss from the following list:

General NOL carryover is the NOL available as a result of a loss incurred in years after 1986 under R&TC Section 24416. The carryover period for these NOLs is:

Year Loss was incurred	Carryover Period
1987-1990	7 Years
1991	6 Years
After 1991	5 Years

Note: If the corporation has a current year NOL loss under R&TC Section 24416.2 (relating to enterprise zone, program area, LAMBRA or LARZ NOLs), it must **elect** to carry over the loss either under that section or the loss under R&TC Section 24416 (relating to general NOLs). The election is irrevocable. Get form FTB 3805Z, form FTB 3807 or form FTB 3806, for more information.

Disaster loss carryover is a casualty loss in a certain area of California declared by the President of the United States or the Governor of California to be in a state of disaster.

California has conformed to IRC Section 165 (i) permitting the disaster loss to be taken against the previous year's income. If you made this election, see Current Year NOLs, Part II, line 3.

If special legislation is enacted under R&TC Section 24347.5 and the specified disaster loss exceeds income in the year it is claimed, 100% of the excess may be carried over for up to 5 income years. If any of the excess loss remains after the 5-year period, 50% of that remaining loss may be carried over for up to 10 additional years.

Following is a list of events that have been declared disasters:

Year	Code	Event
1996	16	Firestorms '96.
1995	15	Storms, flooding and other related casualties.
1994	14	San Luis Obispo fire and other related casualties.
1994	13	Los Angeles, Orange, and Ventura County Earthquake and related casualties.
1993	12	Storms, floods and other related casualties.
1992	11	Wildfires and other related casualties in Calaveras and Shasta Counties.
1992	10	San Bernardino County earthquake and other related casualties.
1992	9	Riots, arson and related casualties in California during April and May.
1992	8	Humboldt County earthquake and related casualties.
1992	7	Storms, floods and other related casualties.
1991	6	Oakland/Berkeley fire and other related casualties.
1990	5	Santa Barbara fires and other related casualties.
1989	4	Bay Area earthquake and other related casualties.
1987	3	Forest fires, October earthquake and other related casualties.
1986	2	Storms, floods, and other related casualties.
1985	1	Forest fires and related casualties occuring in California.

A new business NOL is an NOL incurred by a trade or business activity that first commenced in California on or after January 1, 1994. For taxable years beginning on or after January 1, 1994, taxpayers engaged in a new business may carry over 100% of an NOL incurred in the first three years of operation for an extended period but only to the extent of the net loss from the new business. If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over at 50% as a general NOL.

The carryover period for new business NOLs is based on when the loss occurred.

Loss occurred	Carryover Period
1st year of	
business activity	8 years
2nd year of	-
business activity	7 years
3rd year of	
business activity	6 years

If a taxpayer acquires assets of an existing trade or business which is doing business in California, the trade or business thereafter conducted by the taxpayer or related person is not a new business if the fair market value of the acquired assets exceeds 20% of the fair market value of the total assets of the trade or business conducted by the taxpayer or any related person. To determine whether the acquired assets exceed 20% of the total assets, include only the assets that continue to be used in the same trade or business activity as they were used in immediately prior to the acquisition. For this purpose, the same trade or business activity means the same division classification listed in the Standard Industrial Classification (SIC) manual, 1987 edition.

If a taxpayer or related person has been engaged in a trade or business in California within the preceding 36 months and thereafter commences an additional trade or business in this state, the additional trade or business qualifies as a new business only if the activity is classified under a different division of the Standard Industrial Classification (SIC) manual, 1987 edition.

For taxpayers who first commence doing business in this state after December 31, 1993, business activities conducted by the taxpayer or related persons wholly outside California are disregarded in determining whether the trade or business conducted within California is a new business. Related persons are defined in IRC Section 267 or IRC Section 318.

An eligible small business NOL is an NOL incurred in operating a trade or business activity which generates gross receipts less returns and allowances less than \$1 million during the income year. For income years beginning on or after January 1, 1994, taxpayers engaged in an eligible small business may carry over 100% of an NOL but only to the extent of the net loss from an eligible small business. If a taxpayer's NOL exceeds the net loss from an eligible small business the excess may be carried over at 50% as a general NOL.

The carryover period for an eligible small business NOL is five years.

Title 11 bankruptcy

If the corporation is claiming an NOL carryover deduction under the provisions of R&TC Section 24416(e)(4)(A), enter the carryover amount on Side 1, Part II, line 2. **Column (d)** – Enter the amount of the initial loss for the year given in column (a).

Column (e) – Enter the carryover amount from the 1995 form FTB 3805Q, Part II, column (h).

Column (f) – Enter the smaller of the amount in column (e) or the amount in column (g) of the previous line.

Column (g) – Enter the result of subtracting column (f) from the balance in column (g) of the previous line.

Column (h) – Subtract the amount in column (f) from the amount in column (e) and enter the result.

Current Year NOLs

Line 3, Column (d) – Enter your 1996 disaster loss from Part I, line 2. If you did not elect to deduct your disaster loss in the prior year:

- In column (f), enter the disaster loss used in 1996.
- In column (h), enter column (d) less column (f).

If you elected to deduct your 1996 disaster loss on your 1995 return, and you have an excess amount to be carried over to 1996, enter the carryover amount from your 1995 form FTB 3805Q, Part II, line 3, in Part II, line 2, column (e). Use the Prior Year NOL instructions on page 1 for column (a) through column (h) except:

- In column (a), enter 1996;
- In column (b), enter 16; and
- In column (d), enter the total disaster loss incurred in 1996.

Line 4 – Enter your 1996 NOL from Part I, line 3. If you have a current year NOL from more than one source, list each loss separately. Enter the initial loss to be carried over to subsequent years in column (d) and column (h) for each NOL.

Principal Business Activity Code Chart

Agriculture, Forestry and Fishing

0400 Agricultural production 0600 Agricultural services (except veterinarians), forestry, fishing, hunting and trapping

Mining

Metal mining

1010 Iron ores

1070 Copper, lead and zinc, gold and silver

Other metal mining

1150 Coal mining

Oil and gas extraction

Crude petroleum, natural gas and natural gas liquids Oil and gas field services

Nonmetallic minerals, except

fuels 1430 Dimension, crushed and broken stone;

sand and gravel

1498 Other nonmetallic minerals, except fuels

Construction

General building contractors and operative builders

General building contractors Operative builders

1600 Heavy construction contractors

Special trade contractors

Plumbing, heating and air conditioning

Electrical work 1798 Other special trade contractors

Manufacturing

Food and kindred products

2010 Meat products 2020 Dairy products

Preserved fruits and vegetables

Grain mill products Bakery products 2040

2050

Sugar and confectionary products

2081

Malt liquors and malt Alcoholic beverages, except malt liquors and malt

Bottled soft drinks and flavorings Other food and kindred products 2096

2100 Tobacco manufacturers

Textile mill products

2228 Weaving mills and textile finishing

2250 Knitting mills

products

2298 Other textile mill products

Apparel and other textile products

2315 Men's and boy's clothing

2345 Women's and children's clothing 2388 Other apparel and accessories

Miscellaneous fabricated textile

Lumber and wood products

Logging, sawmills and planing mills Millwork, plywood and related 2430 products

Other wood products, including wood 2498 buildings and mobile homes

2500 Furniture and fixtures

Paper and allied products

2625 Pulp, paper and board mills 2699 Other paper products

Printing and publishing

2710 Newspapers 2720 Periodicals

Books, greeting cards and 2735 miscellaneous publishing

Commercial and other printing and printing trade services

Chemicals and allied products

2815 Industrial chemicals, plastics materials and synthetics

2830 Drugs

Soap, cleaners and toilet goods Paints and allied products 2840

2898 Agricultural and other chemical products

Petroleum refining and related industries (including those integrated with extraction)

2910 Petroleum refining (including

integrated)
2998 Other petroleum and coal products

Rubber and misc. plastics products

3050 Rubber products, plastics footwear, hose and belting 3070 Misc. plastics products

Leather and leather products

3140 Footwear, except rubber 3198 Other leather and leather products

Stone, clay and glass products

3225 Glass products

3240 Cement, hydraulic

Concrete, gypsum and plaster products

Other nonmetallic mineral products

Primary metal industries

Ferrous metal industries; misc. primary metal products 3380 Nonferrous metal industries

Fabricated metal products

3410 Metal cans and shipping containers 3428 Cutlery, hand tools and hardware; screw machine products, bolts and

similar products Plumbing and heating, except electric

and warm air Fabricated structural metal products

Metal forgings and stampings Coating, engraving and allied services 3460

Ordnance and accessories, except vehicles and guided missiles

3490 Misc. fabricated metal products

Machinery, except electrical 3520 Farm machinery 3530 Construction and related machinery

Metalworking machinery

3550

Special industry machinery General industrial machinery 3560

Office, computing and accounting machines

3598 Other machinery except electrical

Electrical and electronic equipment

3630 Household appliances

Radio, television and communication 3665 equipment

Electronic components and accessories

3698 Other electrical equipment

3710 Motor vehicles and equipment

Transportation equipment, except motor vehicles

3725 Aircraft, guided missiles and parts 3730 Ship and boat building and repairing Other transportation equipment,

except motor vehicles Instruments and related

3815 Scientific instruments and measuring

devices: watches and clocks 3845 Optical, medical and ophthalmic

goods 3860 Photographic equipment and supplies

Other manufacturing products

Transportation and **Public Utilities**

Transportation

Code

4000 Railroad transportation 4100 Local and interurban passenger transit

4200 Trucking and warehousing

Water transportation

Transportation by air

4600 Pipe lines, except natural gas 4700 Miscellaneous transportation services

Communication

Telephone, telegraph and other communication services

4830 Radio and television broadcasting

Electric, gas and sanitary services

4910 Electric services

Gas production and distribution

Combination utility services 4990 Water supply and other sanitary

services

Wholesale Trade

Durable

5008 Machinery, equipment and supplies 5010 Motor vehicles and automotive

equipment

5020 Furniture and home furnishings

Lumber and construction materials Sporting, recreational, photographic

and hobby goods, toys and supplies Metals and minerals, except 5050 petroleum and scrap

Electrical goods

5070 Hardware, plumbing and heating equipment and supplies 5098 Other durable goods

Nondurable

5110 Paper and paper products 5129 Drugs, drug proprietaries and

druggists' sundries

Apparel, piece goods and notions Groceries and related products Farm-product raw materials

5160 Chemicals and allied products

5170 Petroleum and petroleum products

Alcoholic beverages 5190 Misc. nondurable goods

Retail Trade

Building materials, garden supplies and mobile home dealers

5220 Building materials dealers

Hardware stores Garden supplies and mobile home 5265 dealers

5300 General merchandise stores

Food stores

5410 Grocery stores 5490 Other food stores

Automotive dealers and service stations

5515 Motor vehicle dealers

Gasoline service stations 5598 Other automotive dealers

5600 Apparel and accessory

Furniture and home furnishings stores

Eating and drinking

places Misc. retail stores

5912 Drug stores and proprietary stores 5921 Liquor stores

5995 Other retail stores

Finance, Insurance and **Real Estate**

Banking

Code

6030 Mutual savings banks 6060 Bank holding companies

6090 Banks, except mutual savings banks and bank holding companies

Credit agencies other than banks

6120 Savings and loan associations

6140 Personal credit institutions

Business credit institutions 6199 Other credit agencies

Security, commodity brokers and services

6210 Security brokers, dealers and flotation companies

6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services

Insurance

6355 Life insurance 6356 Mutual insurance, except life or marine and certain fire or flood

insurance companies Other insurance companies Insurance agents, brokers and

Real estate

Real estate operators and lessors of

buildings Lessors of mining, oil and similar

Lessors of railroad property and other 6518

real property Condominium management and cooperative housing associations

Subdividers and developers 6599 Other real estate

Holding and other investment companies, except bank holding companies

6744 Small business investment companies 6749 Other holding and investment compa-

nies except bank holding companies

Services

places 7200 Personal services

Business services

7000 Hotels and other lodging

7389 Business services, except advertising Auto repair; misc. repair

services 7500 Auto repair and services 7600 Misc. repair services

Amusement and recreation 7812 Motion picture production, distribution

and services

7830 Motion picture theaters 7900 Amusement and recreation services,

except motion pictures

Other services 8015 Offices of physicians, including

osteopathic physicians Offices of dentists

Offices of other health practitioners 8050

Nursing and personal care facilities 8060 Hospitals Medical laboratories

8099 Other medical services 8111 Legal services

Educational services 8300

Social services Membership organizations 8600 Architectural and engineering services

Accounting, auditing and bookkeeping 8980 Miscellaneous services (including

veterinarians)

INCOME YEAR CALIFORNIA FORM

1996 Corporation Depreciation and Amortization

3885

Corporation name						California	corporation number
Part I Depreciation							
a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Depreciation allowed or allowable in earlier years	(e) Method of figur- ing de- precia- tion	(f) Life or rate	(g) Depreciation for this year	(h) Additional first year depreciation
1							
2 Add the amounts in columns (See instructions for line 1, col 3 Total. Add the amounts on line 4 Total depreciation claimed for 5 Depreciation adjustment. If line 1f line 4 is less than line 3, er amounts are used on Form 10	umn (h)e 2, columns (g) a federal purposes. e 4 is greater than ther the difference	nd (h)	rence here and on Fo	rm 100, Sid	de 1, line 6		. 4
Part II Amortization a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Amortization allowable in earl		R&TC section	(f) Period or percentage	(g) Amortization for this year
1							
2 Total. Add the amounts in colo3 Total amortization claimed for4 Amortization adjustment. If lineIf line 3 is less than line 2, en	federal purposes. a 3 is greater than	line 2, enter the diffe	rence here and on Fo	 rm 100, Sid	 de 1, line 6	3 i.	

General Information

Unless stated otherwise, the term "corporation," as used in form FTB 3885 and these instructions, includes banks and financial corporations.

In general, California did not conform its law to changes made to the IRC by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 and 1996 did adopt a few specific provisions of the 1993 federal changes. All other references in these instructions are to the IRC as it existed on January 1, 1993.

A Purpose of this Form

Use this form to figure California depreciation and amortization for corporations and limited lia-

bility companies (LLCs) classified as corporations. S corporations must use Schedule B (100S). Individuals must use form FTB 3885A. Fiduciaries must use form FTB 3885F. Partnerships must use form FTB 3885P. LLCs classified as partnerships must use form FTB 3885L.

Depreciation and amortization are deductions corporations claim for reasonable exhaustion, wear and tear, and normal obsolescence of property used in a trade or business or held for the production of income.

For purposes of this form, depreciation is used in connection with tangible property, while amortization is used for intangible assets.

Note: For amortizing the cost of certified pollution control facilities, use form FTB 3580, Application to Amortize Certified Pollution Control Facility.

Important differences between federal and California laws affect the calculation of depreciation and amortization. Some of the major differences are briefly described below:

- California law allows additional first-year depreciation under R&TC Section 24356, rather than IRC Section 179;
- California has not conformed to federal statutes allowing depreciation under Modified Accelerated Cost Recovery System (MACRS):
- California has adopted provisions of the federal Class Life Asset Depreciation Range
 System (ADR), which specifies a useful life for various types of property. However, California law does not allow the federal provision that enables a corporation to choose a depre-

ciation period that varies from the specified asset guideline system.

B Depreciation Calculation Methods

For depreciation methods, refer to R&TC Sections 24349 through 24354. For rules regarding child development services facilities, refer to R&TC Section 24371.5

R&TC Section 24349 describes the methods to use for calculating depreciation:

Straight-Line. The straight-line method divides the cost or other basis of property, less its estimated salvage value, into equal amounts over the estimated useful life of the property. An asset may not be depreciated below a reasonable salvage value.

Declining Balance. Under this method, depreciation is greatest in the first year and smaller in each succeeding year. The property must have a useful life of at least three years. Salvage value is not taken into account in determining the basis of the property, but the property may not be depreciated below a reasonable salvage value.

The amount of depreciation for each year is subtracted from the basis of the property and a uniform rate of up to 200% of the straight-line rate is applied to the resulting balance.

For example the annual depreciation allowances for property with an original basis of \$100,000 are:

Year		Remaining basis	Declining- balance rate	Depreciation allowance
First		\$100,000	20%	\$20,000
Second		80,000	20%	16,000
Third .		64,000	20%	12,800
Fourth.		51,200	20%	10,240

Sum-of-the-years-digits method. This method may be used whenever the declining balance method is allowed. The depreciation deduction is figured by subtracting the salvage value from the cost of the property and multiplying the result by a fraction. The numerator of the fraction is the number of years remaining in the useful life of the property. Therefore, the numerator changes each year as the life of the property decreases. The denominator of the fraction is the total number of years of useful life of the property. The denominator remains constant every year.

Other consistent method. Other depreciation methods may be used as long as the total accumulated depreciation at the end of any income year during the first ½ of the useful life of the property is not more than the amount that would have resulted from using the declining balance method

C Period of Depreciation

Use the following information as a guide to determine reasonable periods of useful life for purposes of calculating depreciation. Actual facts and circumstances will determine useful life. Note, however, that the figures listed below represent the normal periods of useful life for the types of property listed.

 Office furniture, fixtures, machines and equipment 10 yrs
 This category includes furniture and fixtures (that are not structural components of a building) and machines and equipment used in the preparation of papers or data.

Examples include: desks; files; safes; typewriters; accounting, calculating and data processing machines; communications equipment; and duplicating and copying equipment.

•	Transportation equipment, automobiles (including taxis) General-purpose trucks: Light (unloaded weight less	3 yrs
	than 13,000 lbs.)	4 yrs
	13,000 lbs. or more)	6 yrs

Buildings

This category includes the structural shell of a building and all of its integral parts that service normal heating, plumbing, air conditioning, fire prevention and power requirements and equipment such as elevators and escalators.

Type of building:	
Apartments	40 yrs.
Dwellings (including rental	-
residences)	45 yrs.
Office buildings	45 yrs.
Warehouses	60 yrs.

D Depreciation Method to Use

Corporations may use the straight-line method for any depreciable property. Before using other methods, consider the kind of property, its useful life, whether it is new or used and the date it was acquired. Use the following chart as a general guide to determine which method to use.

Property description	depreciation method
Real estate acquired 12/31/70 or earlier New (useful life 3 yrs. or more) Used (useful life 3 yrs. or more)	
Real estate acquired 1/1/71 or later Residential Rental: New. Used (useful life 20 yrs. or more) Used (useful life less than 20 yrs.) Commercial and industrial:	. 125% Declining balance
New (useful life 3 yrs. or more) Used	
Personal property New (useful life 3 yrs. or more) Used (useful life 3 yrs. or more)	. 200% Declining balance* . 150% Declining balance

* Other depreciation methods may be used as long as the total accumulated depreciation at the end of any income year during the first ½ of the useful life of the property is not more than the amount that would have resulted from using the declining balance method.

The Guideline Class Life System of depreciation may be used for certain classes of assets placed in service before 1971.

The Class Life ADR System of depreciation may be used for designated classes of assets placed in service after 1970.

E Amortization

California conformed to the 1993 federal Revenue Reconciliation Act (Public Law 103-66) for the IRC Section 197 amortization of intangibles for income years beginning on or after January 1, 1994. Generally, assets that meet the definition under IRC Section 197 are amortized on a straight-line basis over 15 years. There may be differences in the federal and California amounts for intangible assets acquired in income

years beginning prior to January 1, 1994. See R&TC Section 24355.5 for more information.

Amortization of the following assets is governed by California law:

Bond Premiums	R&TC 24360 - 24363
Research Expenditures	R&TC 24365
Reforestation Expenses	R&TC 24372.5
Leased Property Improvements	R&TC 24373
Organizational Expenditures	R&TC 24407 - 24409
Start-up Expenses	R&TC 24414

Other intangible assets may be amortized if it is proved with reasonable accuracy that the asset has an ascertainable value that diminishes over time and has a limited useful life.

Specific Line Instructions

Line 1 —

Corporations may enter each asset separately or group assets into depreciation accounts. Figure the depreciation separately for each asset or group of assets. The basis for depreciation is the cost or other basis reduced by a reasonable salvage value (except when using the declining balance method), additional first-year depreciation, if it applies and tax credits claimed on depreciable property, where specified. This may cause the California basis to be different from the federal basis.

If the Guideline Class Life System or Class Life ADR System is used, enter the amount, from a schedule showing the computation, on form FTB 3885, column (g), and identify as such.

Line 1, Column (h), Additional first-year depreciation —

Corporations may deduct up to 20% of the cost of "qualifying property" in the year acquired, in addition to the regular depreciation deduction. The maximum additional first-year depreciation deduction is \$2,000. Corporations must reduce the basis used for regular depreciation by the amount of additional first-year depreciation claimed

"Qualifying property" is tangible personal property used in business and having a useful life of at least six years. Land, buildings and structural components do not qualify. Property converted from personal use, acquired by gift, inheritance or from related parties also does not qualify.

See R&TC Section 24356 and the applicable regulations for more information.

Note: Property described in R&TC Sections 24356.2, 24356.3 and 24356.4 qualifies for an expanded expense election. For more information, get Form 3805Z, Enterprise Zone and Program Area Deduction and Credit Summary; Form 3806, Los Angeles Revitalization Zone Deduction and Credit Summary; or Form 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary.

YEAR

1996

Instructions for Automatic Extension for Corporations and Exempt Organizations

CALIFORNIA FORM

3539

Reminder: 1994 Tax Law Change

Effective for income years beginning on or after January 1, 1994, the water's-edge election fee is no longer required. **Note:** Payment of water's-edge election fees for calendar year 1993 (or fiscal years beginning in 1993) is still required. **DO NOT** use this form for those payments. Use the 1993 form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations.

For more information regarding water's-edge reporting, get Form 100-WE, Water's-Edge Booklet and FTB Notice 93-7.

General Information

If a corporation, including real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), regulated investment companies (RICs) and limited liability companies (LLCs) treated as corporations, or an exempt organization in good standing cannot file its California tax return by the original due date, a seven month extension will be allowed automatically without filing a written request. To qualify for the automatic extension, the corporation's or exempt organization's tax return must be filed by the extended due date. The extended due date for corporations is the 15th day of the tenth month following the close of the income year (fiscal year filers) or October 15, 1997 (calendar year filers). The extended due date for exempt organizations filing Form 199 or 109 is the 15th day of the twelfth month following the close of the taxable year (fiscal year filers) or December 15, 1997 (calendar year filers).

The extended due date for an employee's trust defined in IRC Section 401(a) and an IRA filing Form 109 is the 15th day of the 11th month after the end of the income year (fiscal year filers) or November 17, 1997 (calendar year filers).

However, to avoid late payment penalties and interest, 100 percent of the tax liability must be paid by the 15th day of the third month (fiscal year corporations), or the 15th day of the fifth month (fiscal year exempt organizations) following the close of the income year or March 17, 1997 (calendar year corporations), or May 15, 1997 (calendar year exempt organizations). Employees' trusts and IRAs must pay 100% of the tax liability by the 15th day of the 4th month after the end of the income year.

Complete the tax payment worksheet on Side 2 to see if additional tax is due. **Send in the voucher only if a payment is due.**

Save the completed worksheet as a permanent part of the corporation's or exempt organization's tax records along with a copy of the return.

Electronic Funds Transfer (EFT)

Corporations that meet certain requirements must remit all of their payments through EFT rather than by paper checks. Corporations that remit an estimated tax payment or extension payment in excess of \$20,000 or that have a total tax liability in excess of \$80,000 in any income year beginning on or after January 1, 1995, must pay through EFT. The Franchise Tax Board will notify corporations that are subject to this requirement. If you are an EFT taxpayer, DO NOT USE THIS FORM. Those that wish to participate on a voluntary basis may do so. For more information, call 1-800-852-2753 or get FTB Pub. 3817, Electronic Transfer Program Information Guide.

Where to File

If tax is due and the corporation is not required to use EFT, attach a check or money order for the tax due to form FTB 3539 and **mail only the voucher portion** with the payment to:

FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO CA 94257-0551

Penalties and Interest

Remember, an extension of time to file the tax return is not an extension of time to pay the tax. If the corporation or exempt organization fails to pay its total tax by the original due date, a late payment penalty plus interest will be added to the tax due. If the corporation or exempt organization does not file its return by the extended due date, the automatic extension will not apply and a late filing penalty plus interest will be assessed from the original due date of the return.

			- CUT HERE -					
Employees' tru:	corporations — Due March 17, st and IRA — Due April 15, 199 exempt organizations — Due M	(7)	97)					
YEAR	Payment Vouche	er for	Automatic	Extension	ſ	<u>C</u>	ALIFORNIA	FORM
1996	for Corporations						353	9
		Federal	YEAR ,and e employer identification i		Tax due \$ Check belov type of form	this e	ntity will file.	3 5 3
Address					☐ Form 100	_	Form 109 Form 199	\mathcal{S}
City	State		ZIP cod	de	•			9
	NT IS DUE, DO NOT FILE TIERS, DO NOT USE THIS FOR		M		Paym	nent	Vouch	ner 5

Combined Reports

If members of a combined unitary group have made or intend to make an election to file a Combined Unitary Group Single Return, only the key corporation designated to file the return should submit form FTB 3539. The key corporation must include payment of at least the minimum franchise tax for each corporation of the combined unitary group that is subject to tax in California.

If members of a combined unitary group intend to file separate returns with the Franchise Tax Board, each member must submit its own form FTB 3539 if there is an amount entered on line 3 of the worksheet.

Exempt Organizations

The due dates for corporations also apply to the filing of Form 100, California Franchise or Income Tax Return, by political action committees and exempt homeowners' associations.

Political action committees and exempt homeowners' associations that file Form 100 should **not** enter the minimum franchise tax on line 1 of the Tax Payment Worksheet below.

Form 199 Filers:

Form 199, California Exempt Organization Annual Information Statement or Return, requires a \$10 filing fee to be paid with the return on the original or extended due date.

Use form FTB 3539 **only** if paying the fee early. Enter the amount of the fee on line 3 of the Tax Payment Worksheet below

How to Complete the Tax Payment Worksheet

- **Line 1 -** Enter the total tentative tax, including the alternative minimum tax for the income year.
 - If filing Form 100 or 100S, the tentative tax may not be less than the minimum franchise tax.
 - If filing Form 109, enter the amount of tax. Form 109 filers are not subject to the minimum franchise tax.
- **Line 2 -** Enter the estimated tax payments, including prior year overpayment applied as a credit.
- Line 3 Tax due. If the amount on line 2 is more than the amount on line 1, the payments and credits are more than the tax. The corporation or exempt organization has no tax due. DO NOT SEND THE PAYMENT VOUCHER. The corporation or exempt organization will automatically qualify for an extension if the tax return is filed by the extended due date.

 If the amount on line 1 is more than the amount on line 2,

If the amount on line 1 is more than the amount on line 2, then the corporation's or exempt organization's tax is more than its payments and credits. The corporation or exempt organization has tax due.

Subtract line 2 from line 1. Enter this amount on line 3 below and on form FTB 3539.

	TAX PAYMENT WORKSHEET FOR YOUR RECORDS					
1	Total tentative tax. Include alternative minimum tax if applicable. See instructions	1				
2	Estimated tax payments including prior year overpayment applied as a credit	2				
3	Tax Due. If line 2 is more than line 1, see instructions. If line 1 is more than line 2, subtract line 2 from line 1.					
	Enter the result here and on form FTB 3539	3				

INCOME YEAR CALIFORNIA FORM

1996 Small Business Stock Questionnaire

2	こ	4	口 に
)	. ,	.,	. ,

California corporation number Federal employer identific						ntification num	ber		
Cor	rporation name								
Add	dress								
City	/		5	State	ZIP	code			
Ā.	Income year (beginning and ending)	B. Date of incorporation	Date of incorporation			C. State of incorporation			
D. Date of qualification in California E. Principal business activity				F. Principal	al business activity code (Do not leave blank)				
lf t	he answer to any of the following questions is	s NO, STOP, do not comple	te this form.						
G. H. I. J. K. L. M. N. O. P. Q. R. S.	Did the corporation issue non-treasury stock during the Was the non-treasury stock issued, in whole or in part where the corporation's aggregate gross assets less the non-treasury stock (include the value of property issuance of the non-treasury stock)?	rt, for money, for property other than or equal to \$50,000,000 from received for the stock in determination at the date of issuance of the of issuance of the non-treasure or proportion a C corporation for Calicorporation other than a: a effect? In the date of issuance of the non-treasure or corporation of the non-treasure or corporation other than a: In the fect? In the fect of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation of the non-treasure or corporation other than a: In the fect of the non-treasure or corporation or corp	han stock or for services pro the period beginning July 1 hing the corporation's aggreg he non-treasury stock? y stock? ifornia purposes? of the corporation used in the regate subscription amount for current income year?	e active condu	corporation?	Yes Yes	No		
T. U. V.	How were the proceeds from the issuance of non-tree used by the corporation? (Indicate percent of total properties of equipment or other business assets) Fund additional cost of labor	urrent income year were used for r business assets?	purchase of equipment or conclusions. California?. in California was subject to conclusions.	california sales	assets: s or use tax?	\$ \$ \$ \$ \$ \$			
Under penalties of perjury, I declare that I have examined this form, and to the best of r Signature of officer ▶			ny knowledge and belief, it Print name and title	is true, correc	ct and complete.				

1996 Instructions for Form FTB 3565

Small Business Stock Questionnaire

General Information

A Purpose

Use form FTB 3565, Small Business Stock Questionnaire, to provide information regarding issuance of stock pursuant to Revenue and Taxation Code (R&TC) Section 18152.5.

B Who Must File

A corporation must file form FTB 3565 if it qualifies as a "qualified small business" and issued stock pursuant to R&TC Section 18152.5 during the current income year. For purposes of this form all corporations which are members of the same parent-subsidiary controlled group shall be treated as one corporation. A parent-subsidiary controlled group is defined in IRC Section 1563(a)(1), except that "more than 50%" shall be substituted for "at least 80%."

Failure to file this form by the corporation's original or extended return due date for the current income year may result in a penalty being assessed to the corporation pursuant to R&TC Section 19133.5. The penalty amount is \$50 per failure to file unless the failure is due to negligence or intentional disregard, then the penalty amount is \$100 per failure.

Failure of the corporation to file form FTB 3565 will not disqualify the stockholder from excluding gain from the sale or exchange of stock. However, the stockholder bears the burden of proving that the gain from the sale or exchange qualifies for exclusion pursuant to R&TC Section 18152.5.

C When and Where to File

For income years beginning on or after January 1, 1996, a corporation is required to file form FTB 3565 along with Form 100, Corporation Franchise or Income Tax Return. Attach form FTB 3565 to Form 100 and file on or before the due date of the corporate return, including extensions.

R&TC Section 18152.5 also requires the corporation to provide a copy of any completed form FTB 3565 to each shareholder that acquired qualified small business stock during the current income year.

Specific Instructions

Questions G through N – If the answer to any of these questions is no, stop. You do not need to complete the rest of the form. Do not attach this form to the Form 100 if you do not need to complete the form.

Question K – A domestic corporation is defined in IRC Section 7701(a)(4) as any corporation created or organized in any state in the United States.

Question N – A qualified trade or business is defined as any trade or business **other than:**

 Any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of the trade or busi-

- ness is the reputation or skill of one or more of its employees;
- Any banking, insurance, financing, leasing, investing, or similar business;
- Any farming business (including the business of raising or harvesting trees);
- Any business involving the production or extraction of products of a character with respect to which a deduction is allowable under Section 613 or 613A of the Internal Revenue Code;
- Any business of operating a hotel, motel, restaurant, or similar business.

Question P – Enter the aggregate subscription amount of non-treasury stock issued by the corporation during the entire income year.

Question Q – Enter the amount included in Question P, that was received for that part of the stock issuance that qualifies as small business stock under the provisions of R&TC Section 18152.5.

Records should be maintained showing that the stock issuance met the requirements of R&TC Section 18152.5.

The amount that is entered in Question P and Question Q should not include the value of stock issued in exchange for stock.

Question T – Enter a percentage for each category listed to indicate how proceeds received from the issuance of non-treasury stock were used. If the category is not listed, indicate type of use on the "Other" line. The total of percentages for all categories should equal 100%.

How To Get California Tax Information

Regular Toll-Free Phone Service

Our regular toll-free phone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 2 through April 15, 1997. The best times to call are between 7:00 and 10:00 in the morning and between 6:00 and 8:00 in the evening. Service is also available on Saturday, April 5 and April 12, from 8:00 a.m. until 5:00 p.m. After April 15, service is available Monday through Friday, between 8:00 a.m. and 5:00 p.m.

From within the United States. 1-800-852-5711 From outside the United States. . . . 1-916-845-6500 (not toll-free) For hearing impaired with TDD 1-800-822-6268 For federal tax questions, call the IRS at 1-800-829-1040

Bilingual Assistance

Para obtener servicio bilingüe de información sobre impuestos o formularios, llame al número de teléfono (anotado arriba) que le corresponde.

Letters

We can serve you quickly if you call us for information to complete your California income tax return, or to find out about your tax refund. However, you may want to write to us if you are replying to a notice we sent you, or to get a written reply. If you write to us, be sure to include your California Corporation number or federal employer identification number, your daytime and evening telephone numbers and a copy of the notice with your letter. Send your letter to:

FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO CA 94257-0540

We will acknowledge receipt of your letter within six to eight weeks. In some cases, we may need to call you for additional information.

Your Rights As A Taxpayer

Our goal at the FTB is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. You can order FTB Pub. 4058 by calling or writing the FTB using the address above for letters.

Where To Get **Income** Tax

Forms

By Internet - If you have Internet access, you may download, view and print California income tax forms and publications. Our Internet address is:

http://www.ftb.ca.gov

By phone – Use F.A.S.T. to order the 1996 California tax forms listed to the right. To order a form on the list:

- Call 1-800-338-0505, from within the United States; or
- 1-916-845-6600, from outside the United States (not toll-free)
- Select bank and corporations income tax form
- Enter the three-digit code shown to the left of the form title when you are instructed to do so.

We will send you two copies of each tax form and one copy of each set of instructions. Please allow two weeks to receive your order.

For prior year California tax forms, call our toll-free number listed under "Regular Toll-Free Phone Service." In person - Most libraries, post offices and banks provide free California tax booklets during the filing season. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries, post offices, banks and quick print businesses cannot provide tax information or assistance.

Bv mail - Write to: TAX FORMS REQUEST UNIT. FRANCHISE TAX BOARD, PO BOX 307, RANCHO CORDOVA CA 95741-0307.

California Tax Forms and Publications

□ 8		California Corporation Tax Forms and Instructions.
		This booklet contains: Form 100, California Corporation Franchise or Income
		Tax Return
□ 8	321	Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations
\Box •	322 I	FTB 3885, Depreciation/Amortization
		FTB 3805Q, Net Operating Loss (NOL) Computation
_ 0	,	and NOL and Disaster Loss Limitations — Corporations
□ 8	316 (California S Corporation Tax Forms and Instructions.
		This booklet contains:
		Form 100S, California S Corporation Franchise or
		Income Tax Return
∐ 8	323	Schedule B(100S), S Corporation Depreciation and Amortization
	9	Schedule C (100S), S Corporation Tax Credits
		Schedule H (100S), Dividend Income
□ 8	324	Schedule D (100S), Capital Gains and Losses and
	,_ ,	Built-In Gains
□ 8	325	Schedule K-1 (100S), Shareholder's Share of Income,
	,20 ,	Deductions, Credits
□ 8	326 1	FTB 3830, S Corporation's List of Shareholders
	20 1	and Consents
□ 8	R14 I	Form 109, Exempt Organization Business Income
	י דוע	Tax Return
Πа	318 I	Form 100-ES, Corporation Estimated Tax
		Form 100X, Amended Corporation Return
		Form 199, Exempt Organization Return
		Schedule R, Apportionment and Allocation of Income
		FTB Pub. 1038, Guide for Corporations Dissolving,
	,,,,	Withdrawing or Merging
□ 8	na i	FTB Pub. 1060, Guide for Corporations Starting Business
	,00	in California
□ 8	R1∩ I	FTB Pub. 1061, Guidelines for Corporations Filing a
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Combined Report
Πа	327 I	Form 100-WE, Water's-Edge Booklet
	20 1	FTB 3564, Authorization of Agent Under Revenue and
_ 0	123	Taxation Code Section 19141.6
Πа	320 I	FTB Pub. 1068, Exempt Organizations Requirements for
	20 1	Filing Returns and Paying Filing Fees
Πа	302 I	FTB 3500, Exemption Application
		FTB 3539, Payment Voucher for Automatic Extension for
_ 0	000 1	Corporations and Exempt Organizations
Π 0	303 I	FTB 3555, Request for Tax Clearance
		FTB 3555, Request for Tax Clearance FTB 3557, Application for Revivor
		FTB 3357, Application for Revivor
⊔ 0	, , , ,	Termination/Revocation
□ 8	206 I	
⊔ 0	JUU I	FTB 5806, Underpayment of Estimated Tax by Corporations

F.A.S.T. Toll-Free Phone Service

Call Fast Answers about State Taxes, the F.A.S.T. toll-free phone service you can use to:

- Get recorded answers to many of your questions about California taxes; and
- Order current year California tax forms.

F.A.S.T. is available in English and Spanish to callers with touch-tone or rotary dial telephones.

When Is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week. To order forms F.A.S.T. is available from 6:00 a.m. to 10:00 p.m., seven days a week, except state holidays.

How To Use F.A.S.T.

Have paper and pencil handy to take notes.

Follow the recorded instructions and enter the three-digit code when you are instructed to do so.

To Order Forms

Refer to Where to Get Tax Forms on page 31.

To Get Information

If you need an answer to any of the following questions, call 1-800-338-0505, select general tax information, follow the recorded instructions and enter the three-digit code when you are instructed to do so.

Code-Filing Assistance:

- 715 If my actual tax is less than the minimum franchise tax, what figure do I put on line 22 of Form 100?
- 717 What are the tax rates for corporations?
- 718 How do I get an extension of time to file?
- 722 When do I have to file a short-period return?
- 730 May I claim net operating losses in the first year?
- 731 Are corporations allowed to use MACRS/ACRS or Section 179 expensing?
- 733 Can the prepayment to the Secretary of State be applied to my last year of business?
- 734 What is the difference between franchise tax and income tax?

S Corporations

- 704 Is an S corporation subject to the minimum franchise tax?
- 705 Are S corporations required to file estimate payments?
- 706 What forms do S corporations file?
- 707 The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 21 of Form 100S?
- 708 Where do S corporations make the state tax adjustment on Schedule K-1(100S)?

Exempt Organizations

- 709 How do I get tax exempt status?
- 710 Does an exempt organization have to file Form 199?
- 735 How can an exempt organization incorporate without paying corporation fees and costs?
- 736 I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

Minimum Tax and Estimate Tax

- 711 Why can't I claim my prepayment tax as credit or estimate payment on my return?
- 712 What is the minimum franchise tax?
- 714 I'm not doing business; do I have to pay the minimum franchise tax?
- 716 When are my estimate payments due?

Billings and Miscellaneous Notices

- 723 I received a bill for \$250. What is this for?
- 728 Why was my corporation suspended?
- 729 Why is my subsidiary getting a request for a return when we file a combined report?

Tax Clearance

- 724 How do I dissolve my corporation?
- 725 What do I have to do to get a tax clearance?
- 726 How long will it take to get a tax clearance certificate?
- 727 My corporation was suspended/forfeited. Can I still get a tax clearance?

Miscellaneous

- 700 Who do I need to contact to start a business?
- 701 I need a state ID number for my business. Who do I contact?
- 702 Can you send me an employer's tax guide?
- 703 How do I incorporate?
- 719 How do I properly identify my corporation when dealing with the Franchise Tax Board?
- 720 How do I change my corporation name?
- 721 How do I change my accounting period?
- 732 What is the water's-edge election?
- 737 Where do I send my payment?
- 738 What is electronic funds transfer?
- 739 How do I get a copy of my state corporate tax return?

